

INTERNATIONAL GRANTMAKING III

An Update on U.S. Foundation Trends

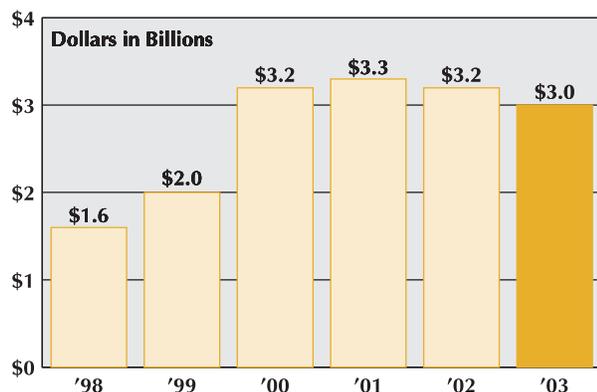
Prepared in cooperation with the
COUNCIL ON FOUNDATIONS

International giving by U.S. private and community foundations—which includes grants to overseas recipients and funding for U.S.-based international programs—realized extraordinary growth through 2001, outpacing foundation giving overall. The ascendancy of the Bill & Melinda Gates Foundation, robust growth in giving by long-time international funders, and an increase in the overall number of international funders were critical factors behind this surge in support. The prolonged stock market downturn and brief recession, however, resulted in a modest reduction in international giving in 2002, and again in 2003. Looking ahead, prospects for international giving are on balance favorable, although grantmakers face a difficult and uncertain environment for their international giving.

International Grantmaking III: An Update on U.S. Foundation Trends assesses the current state of the nation's international grantmaking and its outlook for the future. Prepared in cooperation with the Council on Foundations, this latest update of the Center's benchmark series on international giving¹ examines changes in grantmakers' strategies, practices, and future outlook based on a 2004 survey, and trends in giving patterns through 2002 based on a sample of over 1,000 of the largest U.S. foundations. In addition, the report provides estimates of total international giving by U.S. foundations through 2003 and suggests the direction of change in giving over the next few years.

1. See L. Renz and J. Atienza, *International Grantmaking II: An Update on U.S. Foundation Trends*, New York: Foundation Center, 2000; and L. Renz, J. Atienza, et al., *International Grantmaking: A Report on U.S. Foundation Trends*, New York: Foundation Center, 1997.

Estimated international giving by U.S. foundations peaked in 2001, then slipped in 2002 and 2003*



Source: The Foundation Center, *International Grantmaking III*, 2004.
*All figures based on unadjusted dollars.

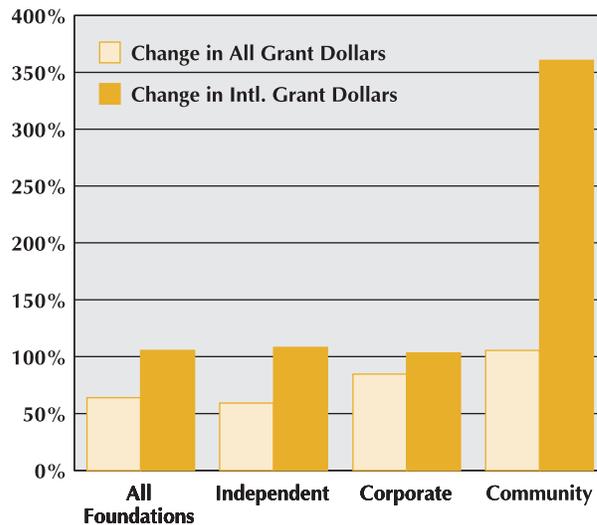
International Giving by All U.S. Foundations

International giving by the nation's grantmaking foundations peaked at an estimated \$3.3 billion in 2001, and then slipped to \$3.2 billion in 2002. Nonetheless, 2002 giving was roughly double the \$1.6 billion estimated for 1998. Adjusted for inflation, international giving climbed 79 percent over this period, far exceeding the 42 percent gain in overall giving. International giving decreased again in 2003 to \$3 billion but can be expected to rebound modestly in 2004. Factors helping to improve prospects for international giving include the economic recovery and the upturn in the stock market, as well as the impact of new international grantmakers, both large and small. For example, the California-based Gordon and Betty Moore Foundation—created in 2000—already ranks among the top 25 international funders, and its giving is expected to increase substantially over the next several years.

International Grantmaking Trends Through 2002

The following analysis shifts from estimates of total foundation giving for international activities to an examination of funding trends based on all of the grants of \$10,000 or more reported by a sample of just over 1,000 larger U.S. foundations. These foundations accounted for more than half of all foundation giving in 2002 and two-thirds of total estimated international giving.

International giving grew faster than overall giving for all foundation types between 1998 and 2002*



Source: The Foundation Center, *International Grantmaking III*, 2004.
*Based on all grants of \$10,000 or more from a sample of 1,009 foundations for 1998 and 1,005 foundations for 2002.

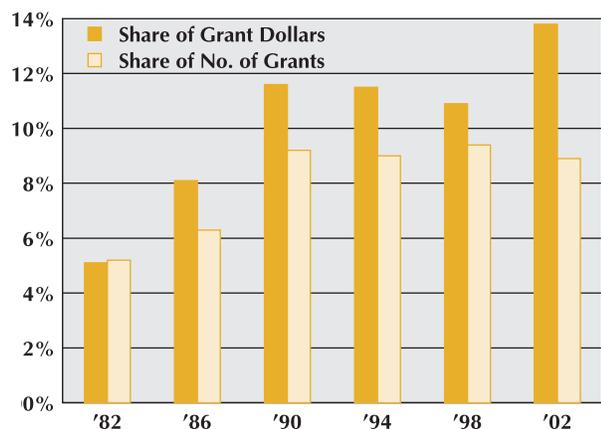
International Giving Grew Faster than Overall Giving. In 2002, funders in the sample contributed nearly \$2.2 billion for international programs, more than double the \$1.07 billion awarded in 1998. This 106 percent rise far surpassed the 62 percent increase in overall giving. As a result, the share of grant dollars targeting international causes climbed to 14 percent in 2002, up from 11 percent in 1998. Over the same period, the share of number of grants hovered at roughly 9 percent. Close to half of the gain in international grant dollars was attributable to the dramatic growth in funding by the Gates Foundation—from \$5.5 million in 1998 to \$526 million in 2002. Yet several of the leading international funders posted very strong increases in giving over this period. Excluding Gates, international giving by sampled funders rose 57 percent, exceeding the 53 percent gain in overall giving.

Between 1998 and 2002, international giving grew much faster than overall giving regardless of grantmaker type. Community foundations, which accounted for just over 1 percent of international giving, reported the fastest rate of growth in grant dollars—up 360 percent to \$29 million. Independent and corporate foundations more than doubled their giving amounts.

More Foundations Were Involved in International Grantmaking. In 2002, 636 funders in the sample awarded international grants, up 10 percent from 576 in 1998. Newer foundations—those established since 1990—have boosted the size of the international funding community. These 107 foundations accounted for one-third of overall international funding in 2002, up from about 7 percent in 1998. Much of this increase in share relates to the rise of the Gates Foundation, which was founded in 1994. Nonetheless, excluding Gates, newer foundations still doubled their share of overall international giving during this period.

Funding for Both U.S.-Based and Overseas Programs Grew Rapidly Through 2002. Grants to U.S.-based international and global programs more than doubled to \$1.3 billion between 1998 and 2002, while cross-border giving nearly doubled to \$843 million. Support for U.S.-based organizations accounted for the bulk (61.5 percent) of overall international

International grant dollars as a share of overall giving increased between 1998 and 2002, while the share of number of grants decreased slightly*



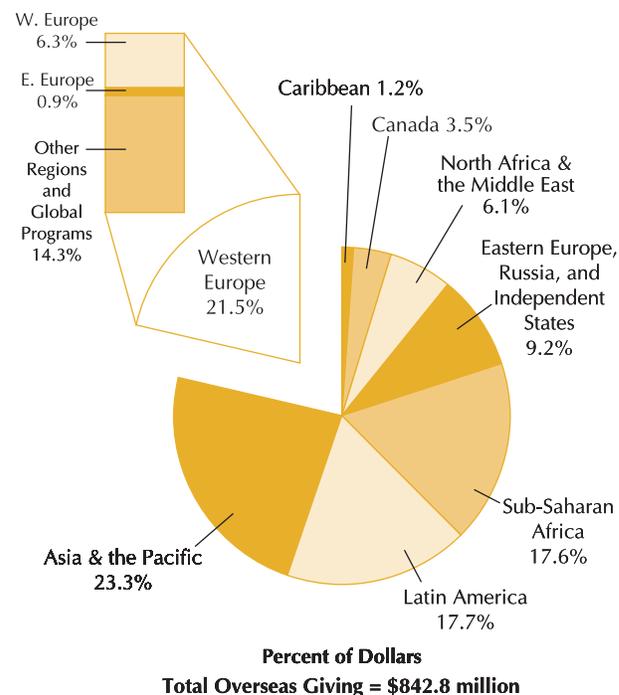
Source: The Foundation Center, *International Grantmaking III*, 2004.
*Based on the Foundation Center's annual grant sample for the years indicated.

giving, up slightly from 1998. The share of overseas giving fell slightly to 38.5 percent, continuing a downward trend that started in the mid-1990s.

Overseas Giving Primarily Benefited Asia, Latin America, Africa, and Global Programs. Nearly two-fifths of international grantmakers in the sample awarded grants to overseas recipients in 2002. Of the \$843 million in cross-border giving, nearly one-fourth benefited Asia and the Pacific. Western Europe received the second largest amount of grant dollars. However, two-thirds of this support targeted programs in developing countries, or international agencies, such as the Geneva-based World Health Organization. (Less than \$52 million supported Western Europe-focused activities.) Latin America and Africa ranked third and fourth by share of grant dollars. Between 1998 and 2002, cross-border support grew fastest in Eastern Europe, Russia, and the Independent States; Asia; the Middle East (especially Israel); and the Caribbean.

Health Benefited from Fastest Growth and Largest Share of International Support. The \$1.1 billion rise in international giving between 1998 and 2002 benefited every major program area, but gains were extremely uneven. Health posted by far the fastest growth, as its share of giving doubled to 32 percent. This dramatic increase reflects the Gates Foundation's emergence as the foremost global health funder, a growing philanthropic response to the global AIDS crisis and other pandemics, and continued strong support for reproductive health care. Other program areas that showed record gains in support included public affairs/society benefit (e.g., government affairs and civil society), the environment, science and technology, and religion.

Programs based in Asia received largest share of overseas foundation giving in 2002*



Source: The Foundation Center, *International Grantmaking III*, 2004.
*Based on all of grants of \$10,000 or more from a sample of 1,005 foundations for 2002. Grants to overseas recipients may be for programs conducted in other regions.

Within the major fields, areas of strong growth in grant dollars between 1998 and 2002 included public health, medical research, peace and security (including terrorism issues), international area studies, human services, agricultural development, resource conservation, wildlife preservation, civil liberties, historic preservation, library support, and programs to improve government and promote civic participation and indigenous philanthropy.

Grantmakers' Perspectives on Funding Strategies and Future Prospects for the Field

The following section is based on results from the Foundation Center's May 2004 survey on international grantmaking. Sixty-four grantmakers responded to the survey, which included questions about recent and anticipated changes in the respondents' international grantmaking programs, current practices, and the overall funding environment.

Despite Economic and Political Turbulence, Grantmakers Have Stepped Up Their Work in All Regions. Although a majority of respondents have not expanded the number of geographic areas they serve since 2000, most have increased funding levels for the regions they support. For all major geographic regions, grantmakers that reported an increase surpassed those reporting a decrease. The proportion of grantmakers reporting increases was largest for Asia and the Pacific, Sub-Saharan Africa, Mexico, and Eastern Europe. In addition to Mexico, the country most frequently mentioned as an area of increased giving was China.

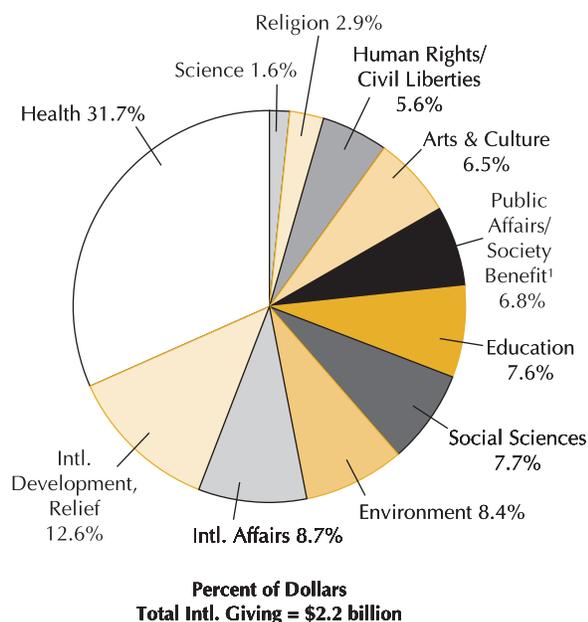
Grantmakers Have Sharpened Their Programmatic Focus. Over three-fifths of respondents reported a change or sharpening of international program focus since 2000. Program

areas that received increased attention included the environment, human rights (e.g., women's rights and international justice), and health (e.g., health care access, HIV/AIDS, and the availability of potable water).

Greater Urgency to Address Global Concerns Identified as Leading External Factor Driving Changes in International Grantmaking. Since 2000, the international grantmaking environment has been buffeted by a series of tumultuous events, from the stock market slide, to the 9/11 attacks, to the "war on terrorism." Yet, among the grantmakers that identified an *externally* driven change in grantmaking, most (56 percent) cited a "greater urgency to address global issues," particularly environmental and health issues. Nearly one-third cited new funding partnerships as a change driver. By comparison, just one-fourth mentioned the U.S. stock market's decline. Similarly, when asked about *internal* change factors, the two most frequently cited were the "launch of new initiatives" (49 percent) and "changes in strategic direction" (44 percent). These ranked above "reduced foundation/company resources" (31 percent) and "change in leadership" (20 percent).

Grantmakers Find Common Ground with Millennium Development Goals. The global concerns of grantmakers strongly coincide with critical issues identified in the United Nations' Millennium Development Goals. More than eight out of ten grantmakers indicated that their giving addressed one or more of the goals set forth in the UN declaration. Among the eight goals, "Ensure environmental sustainability" was the most frequently cited (56 percent of respondents), followed by "Combat HIV/AIDS, malaria, and other diseases" (52 percent), and "Promote gender equality and empower women" (46 percent). These results suggest

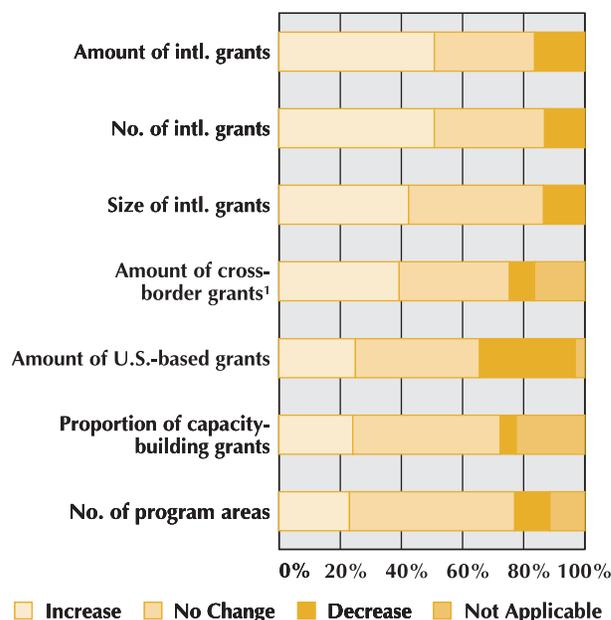
Health accounted for largest share of international grant dollars in 2002*



Source: The Foundation Center, *International Grantmaking III*, 2004.
 *Based on all grants of \$10,000 or more from a sample of 1,005 foundations for 2002.

¹The Public Affairs/Society Benefit category includes grants for public affairs, philanthropy, and general grants to promote civil society. Some civil society grants are captured in other categories, such as human rights and international development.

Changes in grantmaking strategies, 2000 to 2004*



Source: The Foundation Center, *International Grantmaking III*, 2004.
 *Findings based on 2004 international grantmaking survey. A total of 64 funders responded to this question.

¹"Cross-border" refers to giving outside the United States.

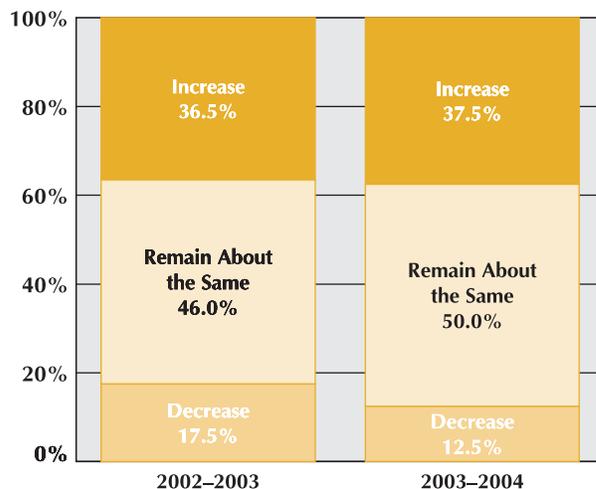
the existence of a general consensus among grantmakers and leaders of the international community on the critical international development issues.

Despite Losses in Foundation Resources, Most Respondents Expect Their International Funding to Remain Steady or Increase in 2004. A three-year decline in the stock market led to reduced foundation assets and a modest reduction in overall foundation giving in 2002 and 2003. Yet, more than eight out of ten respondents indicated that, compared with 2002, their 2003 international giving either remained unchanged (46 percent) or increased (37 percent). The funding outlook for 2004 was also mostly stable to positive. Close to nine out of ten respondents indicated that they expected their 2004 international giving to either remain unchanged (50 percent) or increase (almost 38 percent). Moreover, half of all corporate givers anticipate an increase in international giving in 2004.

Prospects for International Giving Are on Balance Favorable, but Overall Environment Is More Difficult. Although the vast majority of respondents expected to hold the line or increase their own international funding in 2004, they were more cautious about the future outlook for the field overall. Nearly half agreed that, “on balance, the prospects for the field are favorable,” but one-third disagreed and the remainder did not know. Roughly three-quarters agreed that the U.S. economy in the 1990s “created tremendous wealth and a large pool of potential philanthropists with a global perspective.” At the same time, the vast majority of grantmakers (78 percent) agreed that it is now more difficult

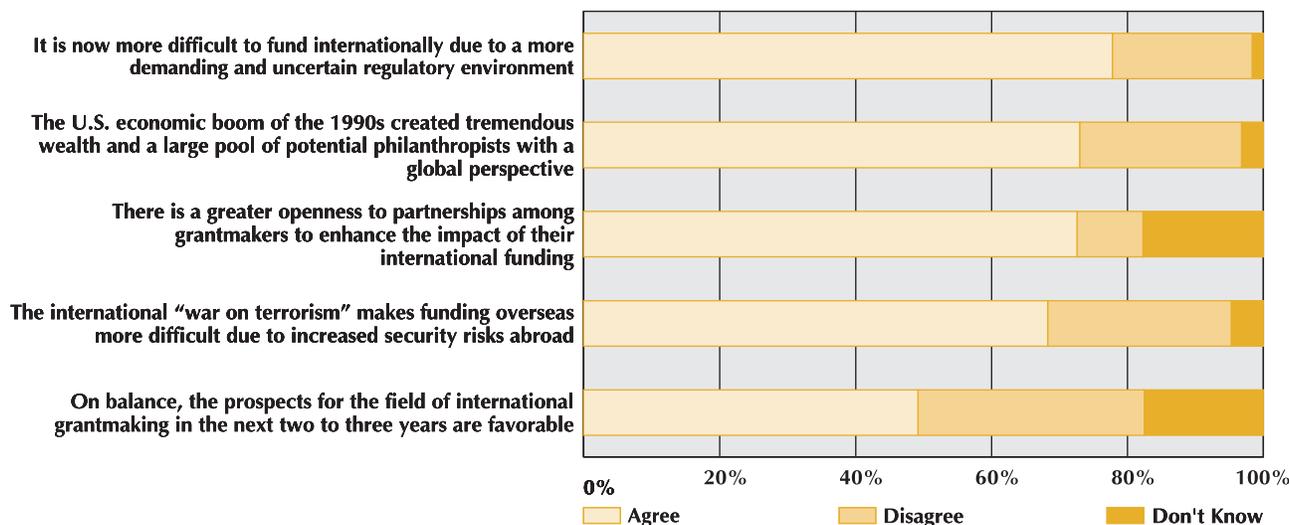
to fund internationally, due to the more demanding and uncertain regulatory environment. More than two-thirds also believed that the international “war on terrorism” has made funding more difficult.

Majority of surveyed international grantmakers expect their 2004 giving to increase or remain steady*



Source: The Foundation Center, *International Grantmaking III*, 2004.
*Findings based on 2004 international grantmaking survey. Percentages based on responses of 63 funders for 2002 to 2003, and 64 funders for 2003 to 2004.

Majority of surveyed international grantmakers believe it is now more difficult to fund internationally*



Source: The Foundation Center, *International Grantmaking III*, 2004.
*Findings based on 2004 international grantmaking survey. Percentages based on responses of 60+ funders.

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