

TITLE: THINKING GLOBALLY? CANADIAN FOUNDATIONS AND TRENDS IN INTERNATIONAL PHILANTHROPY

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SUMMARY:

This paper explores the nature and scale of the international activities of Canadian foundations, and looks briefly at how they compare with US and European foundations. It focuses on granting related to international development concerns such as poverty reduction, human rights, strengthening of civil society and humanitarian assistance. The research indicates that the extent of international engagement by Canadian foundations is quite limited. However, the foundation sector is growing quickly and many of the perceived barriers to international engagement are surmountable. Canadian international civil society organizations have experience and knowledge about working overseas which could be of benefit to foundations and philanthropists. There would be merit in increasing communications between foundations and internationally-oriented civil society organizations.

Thinking Globally? Canadian Foundations and Trends in International Philanthropy

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Introduction

Warren Buffet made headlines last year with his pledge to contribute the bulk of his fortune – US \$31 billion – to the work of the Gates Foundation, thus creating the world's largest foundation. Other major American foundations – Ford, Rockefeller and Carnegie – are well known not only for their domestic activities but also for the many millions of dollars they contribute to programs to reduce poverty and promote civil society and environmental protection in countries around the world. Last year, in Europe, businessman Maurice Greenberg created the Starr International Foundation with a potential endowment of US \$20 billion; one of its first grants was US \$4 million to Médecins Sans Frontières.¹

Global philanthropic activity is growing, and international development is clearly an area of interest for individual donors and foundations. Philanthropy is also growing in Canada. Community foundations report that last year their donors contributed \$271 million (VoluntaryGateway 2007). Such generous donors and strong investment returns have led to over a billion dollars of growth for community foundations in a two-year period. There are also examples in Canada of philanthropic interest in international development. Last year, for example, entrepreneur John McCall MacBain announced plans to use about a billion dollars from the sale of his company to set up a foundation focusing on improving the health and education of children, particularly in Africa (McArthur, 2006).

Trends in international philanthropy are of interest to civil society organizations (CSOs) that work in international cooperation and development. In Canada, many such organizations are

members of the Canadian Council for International Co-operation (CCIC), a coalition of about 100 internationally-oriented CSOs such as CUSO, the Canadian Nurses Association and Project Ploughshares. CCIC members, like all voluntary sector organizations, not only design and implement programs but must find ways of funding their work. A 2006 CCIC study of the revenue trends among its members noted that while revenue from Canadian foundations represents a very small share of total private revenue sources for CSOs, there has been a strong increase in this area over the last ten years (Tomlinson, 2006).

This paper explores the nature and scale of the international activities of Canadian foundations and looks briefly at how they compare with US and European foundations. It is important to clarify at the outset what is meant by international grantmaking. In reporting on foundation grants, the term is used to designate all granting outside a particular country. Canadian data sources, for example, consider international grantmaking to include support to activities in Europe, the United States and Israel as well as support to missionary activity. Grants can be made directly to organizations outside Canada (these are classified as “cross-border” grants), or they may be given to Canadian registered charities that act as intermediaries and direct the funds overseas.

CCIC members work globally to support sustainable human development, end global poverty and promote social justice. Their work includes policy dialogue on Canada’s foreign policies and initiatives to engage Canadians on global issues, as well as a range of overseas activities to support counterpart organizations in developing countries and to provide humanitarian assistance. They are interested in the segment of international granting that supports the elimination of global poverty, the strengthening of civil society, the promotion of human rights and the provision of support to people affected by humanitarian crises. Unfortunately, looking at the available data, it is very difficult to separate grants for these activities from the larger category of international granting, partly because foundations use different ways of classifying their grants. Another limitation is that major Canadian databases on foundations are primarily intended to support grantseekers, and are not necessarily designed as comprehensive and open research tools to provide information on trends or profiles of granting in particular sectors. The areas of interest to international CSOs often overlap with traditional sectors (such as health,

education or social services), and it can be difficult to separate out the international components. We also found the data from the two major sources often differed and therefore were difficult to compare or not comparable.²

Given the weakness of available data for research purposes, this paper takes a very broad-brush approach to portraying the Canadian foundation sector, and relies heavily on a series of interviews with foundation and CSO staff.

Canadian Foundations

The Canadian foundation sector is relatively young, small and growing. In 2005, there were over 8,800 foundations registered with Canada Revenue Agency (CRA); about 2,900 of these were active. The number of active foundations has more than doubled since 1998, when there were 1,078. The total assets of these foundations are \$13.9 billion, and in 2004 they gave out more than \$1.2 billion in grants.³

There are two main types of foundations: private foundations (where half the capital comes from one source and the Board of Directors often has family or other non-arms-length members), and public foundations (where the money comes from more than one source and there is an arms-length Board). In Canada, over 80 per cent of the active foundations are private family foundations.⁴

Public foundations include community foundations, special purpose foundations, government and corporate foundations, and foundations connected to service clubs. Within this group, community foundations are growing quickly. In 1992 there were 28 community foundations with assets of \$500 million, whereas today there are 155 community foundations with more than \$2 billion in assets.⁵

When we think about foundations we think mainly about their grantmaking, but in fact their activities often go well beyond that to include important roles in convening, networking, developing and disseminating knowledge, and providing leadership on key community issues.

There is a worldwide movement to strengthen philanthropy and develop its institutional capacity, both at the level of individual nations and at the global level.

Two major organizations provide support to Canadian foundations. Philanthropic Foundations Canada, founded in 2001, brings together 86 of the major private foundations. Community Foundations of Canada, founded in 1992, supports the growing network of 155 community foundations. Foundations also come together in affinity groups around issues such as community leadership, or more formally in networks like the Canadian Environmental Grantmakers' Network.

International Activities of Foundations

The extent of international engagement by Canadian foundations is quite limited. Only 3 per cent of foundation funding is allocated to *all* international activities. Of the 15 largest Canadian foundations, only seven make international grants. In 2005, grants self-designated by Canadian foundations as “international grant giving” came close to \$40 million with 765 grants.⁶ This group of grants involved approximately 169 foundations and included grants to Israel, Europe, and overseas missionary work.

If we focus more narrowly on the interests of international CSOs – i.e. international development, human rights, addressing global poverty – a bit more than 1 per cent of foundation funding goes to these activities. In 2005, this was approximately \$18.2 million and involved roughly 400 grants. Imagine Canada's Foundation Directory lists some 80 foundations involved in this kind of funding.

Among foundations undertaking international activity, three main approaches can be identified.

- The largest group consists of foundations which are primarily responsive to requests for support of the international work of other organizations. Most of the funding for internationally oriented CSOs falls into this category. Some foundations do not accept

unsolicited proposals, and invite specific organizations known to the Board and staff to submit proposals. Most have an open solicitation process, and CSOs submit proposals which the foundations review and decide upon. In 2004, the foundation allocating the largest amount of money in this way was the Fondation J. Armand Bombardier, which allocated \$425,000 to nine projects. This included three relatively large grants to one organization (for a total of \$345,000); the other six grants were under \$25,000. Other examples for the same year included the Donner Canadian Foundation, which allocated \$401,000 in 10 grants, and La Fondation Marcelle et Jean Coutu, which made 10 grants to a total of \$275,000. In this category, most of the grants are relatively small, one-off grants.⁷

- There are a few foundations that take a programmatic approach to their international work, with a thematic focus and a set of higher-level objectives. Examples of this approach include the Walter and Duncan Gordon Foundation's Global Citizenship program, the Simons Foundation's focus on peace and security, and the Harbinger Foundation's recent focus on international water issues. These foundations further their objectives in a variety of ways including granting, fellowships, convening, and supporting research. The Gordon Foundation's program is unique because rather than supporting overseas projects it seeks to strengthen Canadians' capacity to participate in international activities (e.g., through youth fellowships in international policy, engagement of diaspora communities, etc.).
- A third, small group is made up of operating foundations that develop their own programs overseas and fund them directly through agency agreements with overseas organizations or through a Canadian intermediary. The Colin B. Glassco Charitable Foundation for Children is an example of the latter. Focusing on the treatment of trachoma among children in Zambia, in 2004 it allocated \$332,000 to its program through the intermediary of ADRA. The Mary A. Tidland Charitable Foundation supports medical and educational projects through agency agreements in a variety of countries. Both foundations raise funds from other private donors and involve volunteers. In many ways their work resembles that of international CSOs.

Table 1 shows some of the major international CSO recipients of grants from Canadian foundations in 2004.

Table 1: Major Recipients of Canadian Foundation Grants, 2004⁸

Organization	Grant Total	No. of Grants
University of West Indies (Jamaica)	\$17,369,300	1
USC Canada	\$915,767	12
World Vision	\$788,614	86
Médecins Sans Frontières	\$654,160	57
Stephen Lewis Foundation	\$616,466	42
Aga Khan Foundation Canada	\$567,812	22
SIM Canada	\$527,455	53
Foster Parents Plan	\$455,559	60
CARE Canada	\$361,334	20
Canadian Bureau for International Education	\$345,000	3
ADRA Canada	\$336,000	9
Oxfam Canada	\$302,665	29

The average grant is about \$15,000 and goes to support work overseas. Grant recipients are primarily the larger organizations that have higher profile among the Canadian public as a result of their own communications strategies or media coverage. It is likely that only the larger organizations have the capacity to undertake the research, build the relationships and submit the proposals necessary to secure foundation funding.

And it does take work. Interviewees reported that each foundation has to be approached on an individual basis. As one person said, “Once you know one foundation, you know one foundation”. They have very different approaches, interests and decision-making processes. It is generally agreed that one must build personal relationships with foundations. This is particularly true for family foundations, where decisions are often made based on the interests of the family members who make up the majority of the Board members, and for those foundations which do not accept applications.

Canadian international CSOs use the contacts of their Board members and other friends and supporters to build relationships with foundation Boards and staff. CSOs report that it has been

difficult to interest foundations in their policy and education work here in Canada. However, through personal contacts one CSO was able to secure support for its Canadian activities from foundations that in general do not support international activities.

Community Foundations

Community foundations by their nature focus on local issues. Currently, Canadian community foundations make a few grants to international organizations through their donor-advised funds (such as the 2006 gift to the Coady International Institute through the Hamilton Community Foundation). However, staff and Boards of community foundations are noticing an increasing desire on the part of their donors to give to activities outside of Canada. They say this is partly a result of the changing demographics of Canadian communities, where people who came as immigrants now want to give back to their home community, country or region. In addition, the dramatic media coverage of disasters like the 2004 tsunami generates a humanitarian response from many. Finally, the increasing awareness of the global nature of issues such as climate change, poverty and HIV/AIDS has prompted people to want to give both in Canada and internationally.

Community Foundations of Canada (CFC), the umbrella organization for the network, is planning to develop mechanisms in Canada to facilitate giving to international causes. These mechanisms will link with the expanding community foundation network around the world, in which CFC has been very active through the work of its CEO. CFC staff have been active in the formation and development of Worldwide Initiatives for Grantmaker Support (WINGS) – a network of grantmakers whose purpose is to strengthen the institutional infrastructure for philanthropy worldwide – and its component (WINGS-CF) which seeks to build and strengthen community foundations globally. Currently there are more than 1,100 community foundations in 42 countries around the world.⁹

What are the Barriers to International Engagement?

Given the increasingly global nature of our world, how do we explain the relatively modest international activity of Canadian foundations? Interviews with foundation and CSO staff suggest there are three main barriers to a broader international engagement of Canadian foundations – mindset, legal frameworks and capacity.

i) Mindset

In foundations, particularly family foundations, the motivations and experience of Board members are very important in determining where they direct their support. In general, they give back to the communities where they have lived and worked. Among foundations, as among the broader public, the level of awareness of international issues is not very high. In general, foundations do not have the capacity to choose international organizations in which they have confidence and monitor their activities. This seems to be changing in family foundations where younger family members are travelling and working overseas and developing a broader perspective.

Foundations, like other donors, want to see impact and make a difference. Their perception is that international CSOs are supported by many private funders, as well as government, and they are not convinced that their funds would make a difference. Some are concerned that CSOs take too much off the top in administrative fees.

Another important influence is the role of the state. In Canada, many assume that foreign relations and international aid and development are the responsibility of the government. Finally, many foundations are created with assets generated in the private sector. Interviewees noted that Canadian businesspeople have not tended to have a global perspective, although this may be starting to change.

ii) Legal Issues

Canadian foundations are established by letters patent that articulate their charitable purpose and mission and reflect the intent of the original donor. That can be very restrictive. It might limit the foundation to particular geographic areas, certain subsectors, or specific organizations. For example, Max Bell, the creator of the foundation of the same name, stipulated that one third of the amount awarded each year by the foundation must go to McGill University. If the focus of the foundation is predetermined it is very difficult to change, and foundation Boards and staff have little discretionary authority.

Another limiting factor is the Canada Revenue Agency (CRA) regulatory framework. The *Income Tax Act* permits a charity to carry out overseas activities in only two ways:

- it can make gifts to qualified donees – a very limited set of organizations which includes Canadian registered charities, certain universities outside Canada, the United Nations and its agencies, and a few foreign charities; or
- it can carry on its own activities. These activities can be contracted to another organization (agent) but the Canadian organization must be the active and controlling partner (CRA, 2000).

Public foundations have an additional qualification in that a minimum of 51 per cent of their grants must go to qualified donees (CRA, 2001). Some foundations – including private foundations – have gone beyond that and set their own internal policies which designate a larger percentage that must go to qualified donees. This is based on a concern about the dangers of possible illegal acts by their agents, a concern which may have increased in recent years with the implementation of anti-terrorism legislation and an increased preoccupation with security considerations.

These same regulations, with the exception of the 51 per cent to qualified donees rule, also apply to Canadian international CSOs, so we might ask why foundations find the regulations such a

barrier. A number of people interviewed felt it was because some foundation staff and Boards do not have a good understanding of the regulations and seek to keep things simple and avoid risk.

However, several people noted that the charities regime is out of date and needs reform. The Institute for Media, Policy and Civil Society (IMPACS) was working on this through a process of educational outreach, an analysis of what can be done and engagement with some of the leading institutions and experts.¹⁰ On the international side, expanding the list of qualified donees would facilitate giving.

iii) Capacity

A third limiting factor is capacity. Individual foundations are not very large and many do not have paid staff, making it difficult for them to develop a systematic, strategic approach to their work. Although this is also true for their domestic work, the difficulty is exacerbated by a lack of international experience and knowledge, which leads to a lack of confidence in their ability to select partners and exercise due diligence in the monitoring and evaluation of the work.

In Canada, there is very limited infrastructure to support foundations, and this is particularly true in the area of international granting. An exception is Tides Canada Foundation, which through its relationship with Tides Foundation in the US can assist other Canadian foundations as well as individual philanthropists in making grant recommendations to US or international charities.¹¹

Taking these three elements together – mindset, legal framework and capacity – it is just easier for foundations to respond to the many needs in communities here in Canada.

Foundations in the United States

In comparison to Canada, the US has a large, well-established foundation sector. It is exponentially larger – not just the normal American/Canadian ratio of 10 to 1 based on population – as the figures in Table 2 reveal.

Table 2: Comparison of International Grants by American and Canadian Foundations¹²

	United States 2005	Canada 2005
Number of foundations:	68,000	8,852
Total assets:	US \$510.5 billion (2004)	\$13.9 billion
Total grants:	US \$33.6 billion	\$1.2 billion (2004)
International grants:	US \$3.8 billion (11%)	\$36 million (3%) (2004)

Factors which contribute to this more developed sector are a larger population, the significantly larger economy and greater wealth, and the early emergence of foundations in the US a century ago. The difference is also related to American views on philanthropy, which see a more limited role for the state and a larger role for private individuals and institutions.

The American foundation sector has significantly greater capacity at the level of individual foundations and a well-developed network of support organizations that provide research, training, networking and convening services. The Washington-based Council on Foundations has an international membership of 2,000 private, community and corporate foundations. There are many organizations like the 400-member Council of Michigan Foundations which aim to support foundations and strengthen philanthropy in particular regions. There is much more academic interest in the sector and more public debate on relevant issues such as the role of private foundations in the development of public policy.

The amount of funding allocated to international grants is much larger – not just in dollar terms but because a higher percentage of overall grants goes to international activities. In 2004, even excluding the Gates Foundation (which allocated \$1.4 billion), there were seven foundations which allocated more than \$50 million each to international grants. International funding is more concentrated than domestic funding, with the top 25 foundations accounting for 83 per cent of all funding. More than half of the 100 largest US foundations have geographical restrictions written into their charter or as part of their grant guidelines (Pfitzer et al, 2003).

International granting by American foundations grew rapidly between 1990 and 2000 from US \$508 million to US \$2.5 billion (Pfitzer et al, 2003). The downturn in the stock market, a recession and a more difficult political climate following 9/11 contributed to a decline in 2002. Giving remained about the same in 2003 and rebounded in 2004 and 2005. From 2002 to 2005, international giving climbed 12 per cent while overall giving grew by only 2 per cent. The growth was due to large gifts by the Gates Foundation to international health issues, major growth by the Moore Foundation and its contribution to environmental programs, and substantial support by American foundations to respond to humanitarian disasters in South Asia and Sudan. Yet these increases in some areas were offset by reductions in giving by foundations whose assets had not recovered from the downswing in the stock market (Renz and Atienza, 2006).

A study of a smaller sample of foundations for the period 2002-2004 found there had been strong growth in international giving by community foundations and corporate foundations. Community foundations, which account for just 1 per cent of international granting (in the sample), increased their international granting by 35 per cent, to US \$39 million, and corporate giving increased by 31 per cent to US \$151 million (Renz and Atienza, 2006).

Some other trends from the same study:

- More foundations were involved in international granting.
- Newer foundations tend to rely more on US-based organizations to implement their programs rather than directly funding overseas groups.
- Overseas giving primarily benefited Africa, Asia, and global programs.

- Grants to US-based recipients mainly targeted developing countries.
- If the Gates Foundation were excluded from the sample in both years, international giving would have decreased 4 per cent. Still, international giving would have fared better than overall giving, which would have declined 6 per cent.

The trends indicate that much of the growth in the sector can be attributed to significant growth of a few mega foundations rather than to the broader foundation sector developing a more global perspective. An extensive series of interviews carried out to examine why more US foundations have not gone global found some of the same reasons that our interviews found here in Canada (Pfitzer et al, 2003):

- Many US donors and foundation Boards are motivated to give back to their own communities.
- They lack the experience and infrastructure to make effective grants outside the US.
- Complying with US government regulations is seen as risky, complex and time-consuming.
- There is little collaboration among US international grantmakers in sharing expertise and infrastructure.
- Some see a lack of political and economic stability and institutional integrity in some overseas regions as a major deterrent.

The US has a much more vibrant support network for those wishing to move into international granting. Groups like the Rockefeller Philanthropy Workshop offer donors the opportunity to travel and experience first-hand the situation overseas. Other organizations like Grantmakers Without Borders and The Global Philanthropy Forum help them to learn more about effective granting and support more collaborative work.

US foundations are also very involved in promoting philanthropy and supporting the development of foundations in different part of the world. Last year the Ford Foundation announced an endowment of US \$30 million to launch TrustAfrica, an Africa-based grantmaking foundation based in Senegal. Synergos, a New York-based foundation, supports the development of community development foundations in Latin America, Southern Africa and Southeast Asia through its program Strengthening Bridging Organizations. The Open Society Institute (OSI), a

private operating and grantmaking foundation founded by George Soros, aims to shape public policy to promote democratic governance, human rights, and economic, legal and social reform. Related to the Institute, and also founded by George Soros, is an international network of Soros foundations established in particular countries or regions to initiate and support open society activities.

Analysts predict that international giving will continue to grow in the US. In the short term, there are several large new initiatives such as the Partnership for Higher Education in Africa, where a consortium of foundations has pledged US \$200 million. In the longer term, the main factor increasing international giving will be Warren Buffet's US \$31 billion contribution to the Gates Foundation. There are some factors which may limit international giving. The continued volatility in the stock market, an anticipated economic slowdown, and political uncertainty affecting oil prices may undermine the growth of foundation endowments. In addition, the ongoing war on terrorism and the increasingly restrictive legal framework may discourage giving (Renz and Atienza, 2006).