

International Grantmaking:

Patterns and Priorities

By Loren Renz and Josefina Samson-Atienza

International grantmaking constitutes an unusually complex cross-section of philanthropy. Geographically, it encompasses both giving in the U.S. for international activities and giving throughout the world. Topically, it is also without boundaries. U.S. foundations support on an international level nearly every activity, issue, and scholarly pursuit they fund domestically. Increasingly, the issues foundations tackle transcend borders, with the effect that the distinctions between domestic and international programs have become blurred.

Over the past decade the field of international grantmaking has gone through enormous changes due to the geopolitical transformation of the world. The blooming of democracy and more open societies has opened up new geographic areas for grantmakers. At the same time, the explosive growth of indigenous non-governmental organizations (NGOs) in many countries has stimulated vast new opportunities for funding overseas in nearly every philanthropic field. In a relatively short period of time, international grantmaking has become as diverse and complex in its scope as giving domestically. It has also become more localized.

Recently, the Foundation Center, with the support and collaboration of the Council on Foundations, conducted a study of international grantmaking trends. This report is based on that study.

Significant Trends

The following data derived from an analysis of grants of \$10,000 or more authorized or paid by 821 foundations in 1990 and 1,020 foundations in 1994. Giving by these funders represented over 50 percent of all foundation grant dollars in each of those years. These primarily large foundations provided more than two-thirds of estimated total international giving by all foundations.

Overseas Funding Grows Rapidly in 1990s, Outpacing Growth of Funding of U.S.-Based International Programs. U.S. funders became far more active overseas in the 1990s, leading to striking changes in international

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grantmaking patterns. From 1990 to 1994, funding of overseas recipients grew five times faster than funding of U.S.-based international programs. The amount of overseas giving by sampled foundations climbed from \$166 million to \$289 million, a rise of 74 percent. The largest international funders led this trend. Grants overseas by the top ten funders grew seven times faster than their grants to U.S.-based programs. Several leading funders expanded their presence overseas by opening field offices, working with local partners, or in the case of the Soros foundations, by creating a network of Soros-affiliated funds in more than two dozen countries.

Despite Strong Growth Overseas, Majority of Grants Support U.S.-Based Programs. International programs based in the U.S. continued to receive more support than overseas groups, but the difference in funding levels narrowed. In 1994, U.S.-based groups captured 57 percent of grant dollars, down from 67 percent in 1990. Consequently, the share of funding for overseas groups jumped from 33 percent to 43 percent. The top ten funders gave more than half of their dollars (52 percent) overseas, while smaller funders gave approximately one-third of their international grant dollars abroad.

Global Events and Rise of NGOs Stimulate Overseas Funding Growth. The rapid growth of in-country funding could not have taken place without the extraordinary geopolitical and global market changes of the past decade, which opened many new opportunities for U.S. foundations to become active abroad. Other factors that have stimulated more overseas funding include: an explosion in the growth of NGOs in emerging democracies and throughout the developing world, the creation of local funding organizations and technical assistance providers, vastly improved communications links, and the globalization of philanthropic networks.

In Most Regions, Funding Moves Toward Local Organizations. The majority of grant dollars for programs in Western industrialized countries are currently awarded to local institutions, a trend that can be expected to spread to other industrialized countries with strong voluntary sectors. In most developing countries, the balance is also shifting toward greater support of in-country organizations. Exceptions include the Caribbean and Northern Africa and the Middle East. The majority of support for Israel is made through funds and "Friends of" organizations established in this country.

Post-Cold War Funding Priorities Shift. During the Cold War and through the start of the 1990s, international affairs/peace and security was the preeminent funding area in the international field. In the 1990s, sweeping

geopolitical changes caused funders to reassess their international programs, and dramatic shifts occurred in broad funding priorities. These included a greater emphasis on international development, health and family planning, education, and human rights and civil liberties; and a concurrent decline in spending for international affairs and peace and security programs. Funding dropped steeply for international affairs policy and research, exchanges, and peace and security. In the peace and security field, funding for national security programs declined while support increased for arms control and for international conflict resolution, which is one of the fastest growing areas of the field.

Priorities Differ for Grants to U.S.-Based Vs. Overseas Recipients.

International support for U.S.-based organizations primarily targeted international affairs, although its share of support declined during the study years. International development represented the second largest area and was the fastest growing priority in the U.S. Health and family planning was the top priority in overseas grantmaking, and funding more than doubled from 1990 to 1994. Overseas, education consistently ranked second among funding priorities. In both the U.S. and overseas, the social sciences and the environment ranked among the top five areas of giving. Overseas, funding for arts and culture experienced dramatic growth.

Grantmaking Diversifies as Funders Take On Local Issues. The closer involvement of foundations with local groups in the 1990s has led to an expansion and diversification of grantmaking programs. Grantmaking abroad now closely mirrors the complexity of domestic grantmaking. Funding has increased at the grassroots level for community improvement and human service programs, primary health care programs, primary and secondary education, adult and continuing education programs, media and communications, historic preservation, the performing arts, migration and refugee issues, and civil liberties.

Funding Priorities Vary by Region. International development was the top funding priority in Latin America, Eastern and Central Europe (ECE), and Asia; and it ranked second among priorities in sub-Saharan Africa and in the Middle East and North Africa. Health and family planning was the top funding priority in sub-Saharan Africa and also in Western Europe. In Western Europe, much of the funding focused on medical research and supported international health organizations active in developing countries, often for reproductive health. Health was also a top priority in Asia and Latin America. International affairs – which include peace and security – were the top priority in the Middle East and ranked second in the ECE, Western

Europe, and Asia.

The Practice of International Grantmaking

The following results were drawn from interviews with representatives of 26 international grantmakers conducted in late 1996 and early 1997.

Grantmakers were selected to represent a broad range of characteristics, including size and type, program areas, stage of development, region of program interests, and funder location. While the sample is nonrandom and too small to draw any definitive conclusions, the results are nonetheless useful in gaining insights and exploring the range of motivations, perspectives, and practices of grantmakers in the international field.

The Decision-Making Process

In terms of decision-making, whether regarding program priorities, screening of applicants, or program evaluation, the large foundations generally have more levels of consultation – not surprising given their greater resources. But regardless of size, foundations try to get feedback and input from local communities and from their former grantees.

For many of the large private foundations included in the sample, the board of directors provides the overall direction, but also engages in a process of consultation with staff and advisory committees. The Rockefeller Brothers Fund's board, staff, and external evaluators are involved in periodic program reviews. Kellogg maintains an ongoing dialogue between the local people and its program officers and board. MacArthur's program staff brings together local groups, consultants, and others to chart out guidelines, which are then submitted to the Foundation's board for review. For Getty, however, the board is less directly involved since the Grant Program relies heavily on outside advisory committees.

In the case of the medium-to-small grantmakers in the sample, priorities are set by the board, or established by the founder or donor. Many of the foundations in this group rely on recommendations from one or more of the following sources: former grantees, local partners, advisory committees, and consultants. The Global Fund for Women has an exceptionally large network of advisers; the Fund's board of twelve women from around the world makes decisions regarding policy and grantmaking. The board in turn receives information from an advisory council of 95 people worldwide who provide information and advice on the different groups with whom the Fund works.

The Fund also asks women internationally to define their needs, to which the foundation tries to respond.

Although foundations make an effort to respond to the needs of local communities abroad, the issue nonetheless arises especially for large funders – whether potential grantees cater more to the funder's guidelines than to the objectives of their organizations. While "chasing the money" is also a problem in the case of domestic grants, it may be more serious in countries where the dollar has a high value and sources of funds are more limited.

Most of the corporate interview respondents reported that funding priorities and overall objectives are set by headquarters and are in turn implemented by local managers. Local managers usually make the initial recommendations of which specific organizations to fund. Final funding decisions depend in part on the size of the grant, with large grants usually requiring the approval of the corporate headquarters' board of directors.

Relations with Grantseekers

With few exceptions, the grantmakers included in the sample both seek out grantees and respond to grantee requests. Representatives of five large foundations (Clark, RBF, Kellogg, Ford, and Mott) emphasized that their grantmaking is proactive. For example, Kellogg seeks to initiate about 60-70 percent of its giving, with the remainder allocated for responsive support. Getty's spokesperson indicated that the majority of its grants result from over-the-transom applications, but that it is also proactive in creating special initiatives.

Respondents from seven medium-to-small grantmakers indicated that their organizations both respond to grantee requests and seek out grantees. In the case of Mustard Seed, about 80 percent of its grants are unsolicited and 20 percent are solicited. Likewise, the Trust for Mutual Understanding and the Moriah Fund respond primarily to grantee requests.

Five of the corporate grantmakers (American Express, AT&T, J.P. Morgan, Levi Strauss, and Coca-Cola) both seek out grantees and respond to grantee requests to varying degrees. American Express makes grants infrequently in response to unsolicited requests. More often, the company seeks out qualified local organizations in the countries where it operates. If it cannot find such groups, the Philanthropic Program helps set up 501(c)(3) equivalent organizations. AT&T seldom makes grants in response to wholly unsolicited proposals, preferring instead to engage in dialogue with prospective grantees

in the course of the application process. The company is also proactive and launches special initiatives, such as the Global Distance Learning Initiative. In the case of J.P. Morgan and Fuller, grants are primarily made in response to requests. Alcoa Foundation identifies suitable recipient organizations through designated Alcoa employees who act as local contacts.

Focusing Support on Local Organizations

A majority of the grantmakers interviewed fund both overseas and U.S.-based organizations. Most funders, however, primarily support local organizations overseas, even though this entails going through the cumbersome tax certification process for foreign grantees. Nine large foundations directly fund local groups. Of these, five (RBF, Kellogg, Ford, Mott, and Public Welfare) reported this to be their primary way of funding internationally. The local organizations they fund include grassroots non-governmental organizations (NGOs), educational institutions, government agencies, and museums, among others.

Three of the large foundations (RBF, Ford, and Mott) also fund in-country foundations, some of which they helped create. Rockefeller Brothers Fund, for example, created the Foundation for the Development of Agriculture in Poland and the Foundation for Self-Help in Hungary. Pew is alone among the large grantmakers in funding mainly U.S.-based organizations. While Pew would prefer to have the option to fund local organizations directly, their charter limits them to funding U.S.-based 501(c)(3) organizations.

Size does not seem to be the primary determinant of whether a grantmaker funds directly overseas or U.S.-based organizations doing international work. Six of the nine medium-to-small grantmakers interviewed fund local organizations overseas such as NGOs, religious organizations, and cultural institutions. Of these six grantmakers, three (Tinker, Genesis, and The Global Fund for Women) either primarily or exclusively fund local organizations overseas. Four foundations (Trust for Mutual Understanding, Reynolds, Moriah, and General Service) fund mainly U.S.-based organizations. Moriah, for example, partners with organizations like the Nature Conservancy and the International Planned Parenthood Federation to support local projects overseas. Moriah opts to fund this way because it lacks the capacity to determine qualified overseas organizations, to document their tax exempt status, and to monitor them.

All seven of the corporate grantmakers provide support mainly to local organizations overseas such as educational institutions, government agencies

(e.g., cultural ministries, health agencies), cultural institutions, orphanages, environmental organizations, and other NGOs. Although funding local groups overseas involves more work, some grantmakers prefer this method because they find it less costly than funding U.S. organizations that have a large overhead. J.P. Morgan's representative reported that the charitable contributions program of its headquarters handles U.S.-based 501(c)(3) development organizations. In addition, Morgan has overseas offices that fund locally and these contributions constitute the bulk of the company's total charitable giving.

Among the factors facilitating direct funding of organizations overseas since the mid- to late-1980s has been the explosive growth of non-governmental organizations worldwide – a development hastened by and contributing to the increasing democratization of governments and the fall of communism in the former Soviet Union and in Eastern and Central Europe. Another factor has been the rapid improvement in communications technology. For example, with the advent of electronic mail and fax machines, communication is easier between grantmakers and their grantees and advisers. The real cost of travel has also gone down, making international travel more affordable.

Funding abroad is also made easier when funders have field offices. For example, Mott's opening of international offices in South Africa and Prague has enabled them to fund more local programs there. Other large grantmakers that have opened new field offices are Kellogg (in Africa and Latin America), Ford (in China, Vietnam, and Russia), and MacArthur (in Russia, India, Nigeria, Brazil, and Mexico). For their part, corporate grantmakers benefit from having overseas business affiliates. But even the medium-to-small grantmakers who cannot afford to have overseas offices manage to maintain close contact with local groups and fund them directly. Genesis does this by spending several months on site visits. The Global Fund for Women has an extensive network of advisers from all over the world that keeps it informed about local grassroots organizations.

Coping with IRS Regulations

Even though they have gained greater experience in funding abroad, grantmakers of all types and sizes identified Internal Revenue Service tax regulations as an ongoing source of frustration. Foundations that fund abroad must either certify that local grantees meet 501(c)(3) equivalency requirements, or they must exercise expenditure responsibility. Many respondents find the requirements cumbersome and unclear. Some of the

smaller funders avoid these problems by funding only U.S. organizations.

Loren Renz is Vice President for Research at the Foundation Center and Josefina Samson-Atienza is Executive Director of Filipino American Human Services. Copyright ©1997, The Foundation Center. International Grantmaking, the study from which this article is adapted, includes a brief history of U.S. international grantmaking and a review of factors that have facilitated the recent growth in funding overseas; an analysis by subject, purpose, and geographic focus of nearly 12,000 international grants awarded in 1990 and 1994; a discussion of current practice and future trends in international grantmaking based on interviews with grantmakers; profiles of more than 60 leading foundation and corporate international grantmakers; and commentary on international funding by practitioners. The full report is available for \$50 plus S&H. To order, contact The Foundation Center, Publications Dept., 79 Fifth Ave., New York, NY 10003. For credit card orders, fax (212) 807-3677, phone (800) 424-9836; www.fdncenter.org