Philanthropy

Foreign Policies
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06/01/2004

The urge to give money far from their own shores hit Marcia Barinaga and her husband, Corey Goodman, five years ago while they were sitting in a family-run noodle shop in Pakbeng, Laos, a Mekong River village. “The daughter, who was about 10 or 11 years old, was waiting on tables,” Barinaga recalls. “She was adding up the bills in her head and playing tricks on the customers while wearing this impish smile on her face.” It seemed a tragedy to the Oakland, Calif., couple that a girl with such a facility for numbers—she would pretend to give out wrong change and watch to see if the customers noticed, or calculate the total for a table of eight and feign confusion when she had not made a mistake—would probably spend the rest of her life slinging noodles. According to UNICEF, girls there are much less likely than boys to make it through school, or to go in the first place.

“That led us to start thinking, if we had a lot of money, we would want to take her to the U.S. and give her a good education,” says Barinaga. They were not in the philanthropic league (Barinaga is a writer for Science magazine and Goodman is a professor at the University of California, Berkeley) until 2000, when Goodman took his biotech company, Exelis, public. The IPO yielded them “millions, but not tens of millions,” according to Barinaga. Nevertheless, it was more than enough to foster the education of peasant girls in Southeast Asia. The problem was how to actually get money into the hands of the families.

When Barinaga and Goodman discussed their goal with an officer from the East Bay Community Foundation, where the couple had established a donor-advised fund, the officer referred them to Give2Asia, a San Francisco nonprofit founded by the Asia Foundation. Give2Asia, whose staff helps scope out programs in 17 countries and assists with the logistics and follow-up of gifts, was seeking a sponsor for Kampuchean Action for Primary Education, an organization that gives scholarships to Cambodian girls to attend local public schools, paying for tuition and uniform costs, as well as compensating the family for the lost labor. The scholarships seemed the perfect solution. At a cost of $20,000 a year, the price of tuition at a prep school, Barinaga and Goodman are funding scholarships for 100 girls.

CosmoPhilanthropists
International philanthropy is on the upswing: Foundation giving from the United States to overseas programs rose 76 percent between 1998 and 2002 to $3.1 billion, according to the Foundation Center in New York. A full one-third of that increase comes from the Gates and Ford foundations, but that means many other givers also sought out those neglected or abused in foreign lands. Robert Buchanan, director of international programs at the Council on Foundations, attributes the increase, in part, to the profile of new givers: “The accumulation of wealth that has given rise to so many family foundations in recent years has come from the high-tech sector,” he says. “These people tend to have more of an international outlook. They studied abroad, served in the Peace Corps, traveled overseas. They are more aware of economic globalization.”
In developing countries, even small philanthropic endeavors can have a large impact. “You give them a cow and all of a sudden they have a living,” explains Susan Dickler, executive vice president of the Dickler Family Foundation, which sends about $100,000 abroad each year. She is the daughter of prominent arts lawyer Gerald Dickler, who helped found Capital Cities Broadcasting, later the parent of ABC. Heavily focused on reproductive health programs, the Dickler Family Foundation disburses a total of approximately $500,000 a year, one-fifth of that in Africa, South America and Asia. The Dicklers started by giving to international aid groups, such as Pathfinder International, that were based in the United States. But the board has increasingly awarded grants directly to overseas organizations with which family members, particularly the three who served in the Peace Corps, have worked directly. Other philanthropists who have adopted a global orientation are successful immigrants who look homeward, or inveterate travelers, such as Barinaga and Goodman, who perceive that most of their tourist dollars are never going to trickle down to those who need them the most.

Donors who give directly to recipients in developing nations, however, are likely to run into innumerable challenges posed by long distances and diverse mindsets. One of Dickler’s relatives researched an African organization that had been asked to distribute a donation of 30,000 condoms. By the time the shipment made it from New Orleans to Malawi, the condoms, which presumably had been sitting for years in an American warehouse, had expired. “They were distributed even though they were worthless, or worse than worthless; they were dangerous,” says Dickler. She does not blame the charity…exactly. “The organizers probably thought, ‘They told us to distribute these condoms, so we will distribute these condoms.’ But if that happened in the U.S., the organization probably would say, ‘Hold it, contact the donor and tell them what happened.’”

The very existence of grassroots groups in countries scarred by poverty and political repression testifies to an inspiring degree of civic spirit. It also means that donors are likely to find indigenous representatives to communicate with instead of parachuting in with solutions to problems locals do not even think exist. Nonetheless, donors may find themselves uncomfortably confronted with a modern version of the “white man’s burden.” Intervention by its very nature will change a culture. It might seem to us a change for the better, but it is important to consider how local inhabitants will experience the trade-offs, whether or not they are aware of them. An isolated tribe may unanimously vote in favor of accepting a satellite radio, but five years in the future, members may have lost their storytelling tradition in favor of listening to soccer scores on the BBC.

Bureaucratic Hurdles
Pragmatically speaking, the loose structure—and loose bookkeeping—of some foreign organizations make it tricky for donors to satisfy U.S. legal philanthropy requirements. In order to claim a tax deduction or, in the case of a foundation, award a legitimate grant, the donor must be ready to prove that the recipient is essentially the equivalent of a nonprofit organization as defined by U.S. law, or that the grant in question went toward a charitable purpose. The Patriot Act and related regulations prohibit giving to groups or individuals that appear on the government’s lists of suspected terrorists. The Treasury Department issued voluntary guidelines for foundations to make sure they do not cross those laws, but several large foundations have criticized the guidelines as onerous and vague. The guidelines should, for example, be of greatest concern for those bestowing grants in regions such as the Middle East or Indonesia, where terrorists have a substantial presence. Yet the Treasury did not make any exceptions for philanthropy in less risky

QUESTIONS FOR YOUR FOREIGN GRANTEE

1. Is your board of trustees made up of family members or independent trustees?

2. Can we be assured the money will be spent on project expenses as opposed to being passed on to third parties?

3. How will the project benefit local inhabitants with minimal disruption to their way of life?
countries.

On the other hand, some foundation professionals say that navigating these new measures is not much different than following the general philanthropic mantra: “Know thy grantee.” Due diligence should include inspecting the charity’s books to see that it spends its money directly on its own salaries, programs and materials, as opposed to passing it to third parties that may be fronts for terrorists. A helpful introduction to the legal and practical aspects of giving overseas appears on the website for the United States International Grantmaking Project (www.usig.org), established by the Council on Foundations and the International Center for Not-for-Profit Law.

Because of these complications, most family foundations prefer to give through intermediary organizations such as Give2Asia. Intermediaries send their own field advisors out to conduct due diligence. While they are happy to recommend causes to donors who have just a vague idea of what they want to fund, a donor who has a specific charity in mind can ask the intermediary organization to send a field advisor to investigate. Intermediaries will handle the money transfers and provide status reports. Donors usually have a choice between contributing to a fund to form a large grant to one charity, or to be the sole sponsor of an overseas organization. Whatever you choose, expect to give the customary minimum of at least $5,000. Of that amount, between 5 percent and 10 percent will be deducted as the intermediary’s fee.

Many donors find the fee is money well spent. Some foundations that have tried giving directly to charities abroad end up returning to intermediaries because they would otherwise have to spend more on due diligence and compliance than they would spend on fees. One of these organizations is the General Service Foundation in Aspen, Colo., which recently returned to using go-betweens for grants to Mexico. While Executive Director Lani Shaw says that using intermediaries forces the foundation to surrender a measure of control, the practice makes financial sense. “They just do a better job,” she told a Council on Foundations audience earlier this year. “They have the cultural competency and the language skills that you need.”

An intermediary should be registered in the United States as a charity: Donations go to them and then to the grantee overseas, so that the donor does not need to worry about appeasing the IRS. In choosing an intermediary, we need to ask whether the organization has staff on the ground in the country where we want to give and how they go about investigating potential recipients. We should also inquire about what follow-up the intermediary will provide and whether they will evaluate the way the grant is put to use.

The most prominent intermediaries focus on one region or field. The Charities Aid Foundation, while operating worldwide, is considered particularly strong in former British Commonwealth countries. The Tithes Foundation specializes in social justice projects, both in the United States and abroad. The King Baudouin Foundation directs grants to Europe, many of them to arts and historic preservation projects. None of these specialize in the Middle East (although Give2Asia serves Afghanistan and Charities Aid Foundation covers Jordan). Only 5 percent of cross-border giving from the United States goes to that region, according to the Foundation Center. Much larger outlays go to sub-Saharan Africa (19 percent), Asia and the Pacific islands (16 percent) and global programs based in Europe (26 percent).

**Face-to-Face Encounter**

A few overseas donors swear off middlemen, however. “Why take money out of my grant when I can do it directly?” asks Geraldine Kunstadter, chairman of the Albert Kunstadter Family Foundation. She has, however, turned international giving into practically a full-time volunteer job since she introduced the foundation to international giving in 1983. (The foundation is named for her husband’s grandfather, who was the chief executive of the Formfit intimate apparel company.) The global reach began with an old friend of Kunstadter’s, a Chinese architect who introduced her to colleagues who were curious about American architecture during the Cold War period, when they had been cut off from the West. Kunstadter visited
turned into grants, and now, many years later, the Kunstadter Foundation supports 25 overseas organizations a year, funding an eclectic mix of education, health and historical programs.

Kunstadter travels to Asia, Latin America and Africa a number of times each year to visit the programs she funds and other potential grantees. On one trip, she met a vice dean of the music department at the Royal University of Phnom Penh in Cambodia, and he told her he needed lavatories; faculty members were using the woods. "So I asked him how much money he needed, and he said it would cost $458." She wrote him a check. "You can't just give money to people who are faceless."