

## **WRITTEN TESTIMONY**

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**How Global Philanthropic Giving Affects Foreign Aid and International Development**  
**Testimony before the**  
**Subcommittee on Multilateral International Development, Multilateral Institutions, and**  
**International Economic, Energy, and Environmental Policy**  
**of the**  
**United States Senate Committee on Foreign Relations**

Chairman Young, Ranking Member Merkley, and other distinguished members of the subcommittee,

Thank you for the opportunity to testify today. It is an honor to appear before you in the company of these distinguished witnesses. I am the director of research at the Indiana University Lilly Family School of Philanthropy. The School is the world's first school dedicated solely to the study and teaching of philanthropy. Indiana University has been at the vanguard of philanthropy education since the Center on Philanthropy at Indiana University, the School's predecessor, was founded in 1987. Today, the School plays a leading role in advancing philanthropy across the country and around the world because of the vision and generosity of the founders and leaders who foresaw the importance of researching, understanding, and teaching about this integral component of life and society.

The School has recently been entrusted with the honor of researching and producing two important research reports that provide a detailed picture of the role of global philanthropy, including its impact on international development, and how nations' policies enable or limit such philanthropy. These two indices, founded and produced until 2017 by the Hudson Institute under the leadership of Dr. Carol Adelman, are the Index of Global Philanthropy and Remittances (IGPAR) and the Index of Philanthropic Freedom (IPF).

These global indices are resources that can inform policy discussions by providing context for evaluating and benchmarking national policies and conditions, as well as information that helps to identify current problems and priority issues. Similarly, the indices on global philanthropy provide a map of the factors that affect philanthropic engagements targeting international development.

Knowing how philanthropy operates at a global scale increases our understanding of the magnitude and importance of philanthropic flows on the development and innovation of the social sector. Whether in the form of locally supported charity-based philanthropy or as international social capital investments, philanthropy has a significant impact on international development. Studies on global philanthropy also inform the capacity of local philanthropic organizations and individuals to engage in philanthropy, as well as their ability to build transnational alliances with international philanthropy organizations, diaspora groups, and international advocacy networks to contribute to advancing development goals.

First published in 2006, the Index of Global Philanthropy and Remittances (IGPAR) provides comprehensive information on financial flows from the U.S. and other developed and emerging economies to the developing world. It documents the level of official government aid as well as the magnitude of private financial flows from various sources. The IGPAR sheds light on the role that the public, private, and nonprofit sectors play in foreign aid and international development,

and facilitates discussion around this important issue. The most recent 2016 IGPAR report includes data from 39 developed and emerging economies, including the U.S.

A sister publication, the Index of Philanthropic Freedom (IPF), first published in 2015, explores the enabling environment for philanthropy within a country and across countries. The index examines the legal, socio-cultural, and socio-political barriers and incentives for individuals and organizations to donate to social causes, and compares countries on their ease of giving, both domestically and internationally. These barriers and incentives can be policies, accepted practices, legal structures, self-regulatory and monitoring practices, or of other types that reflect each country's philanthropic culture and political willingness to support the development of philanthropy. The IPF offers a comprehensive understanding of how and to what extent countries provide the conditions required for the unobstructed operation of philanthropy within a country and across the world. The most recent 2015 IPF report includes 64 countries, representing 81 percent of the world's population and 87 percent of the world's GDP.

While philanthropy has been well measured in the U.S. and other developed countries, through the founding of both indices, Dr. Carol Adelman and Hudson Institute have made great advances in extending the study of the magnitude and conditions for philanthropy to emerging and developing economies. Through partnerships and collaborations with experts and organizations all over the world, the Hudson Institute's Center for Global Prosperity made a significant contribution to the field of international development with detailed and contextualized research conducted by local scholars in their home nations to give better estimates of global philanthropic giving. The two global indices provide valuable information to help policymakers, researchers, and practitioners develop new programs, projects and policies to address the limitations for giving around the world.

The School is honored to continue the work initiated by the Hudson Institute's Center for Global Prosperity, increasing comprehension of the evolution of global philanthropy, and connecting knowledge with the actors who can contribute to international development through philanthropic engagements. Our School and other colleagues at Indiana University will strive to provide knowledge to support evidence-based policymaking at the global and national levels and to increase the strategic role of philanthropy in poverty alleviation and social change.

The School has a strong global reputation and proven track record as a research pioneer in the fields of philanthropy and the nonprofit sector. Our work on the indices will build on our extensive, in-depth expertise and research, internationally and domestically. Among others, three of the School's signature research projects are:

- i. ***Giving USA: The Annual Report on Philanthropy***, in partnership with Giving USA Foundation, annually estimates U.S. charitable giving, including who gives, how much, and for what purposes, as well as giving by individuals, estates, foundations, and corporations. It also provides a view of issues and trends in philanthropy.
- ii. The ***Philanthropy Panel Study (PPS)*** looks at U.S. charitable giving at the individual and household level. The study follows the same more than 9,000 households over time and adds adult children's households as they reach maturity. The PPS enables a better understanding of the average U.S. households with regard to philanthropy. It examines which economic, social, cultural, and life factors affect whether and how people give, and how that changes over the course of a lifetime. By following the same households over time, the study allows us to see how generations differ and how parents influence children's philanthropy.

- iii. The ***U.S. Trust Study of High Net Worth Philanthropy*** examines how and why the wealthy households give and volunteer, what types of causes they support, and what factors influence their charitable behaviors.

## **The Philanthropic Landscape Domestically and Internationally**

### ***The Role of Private Philanthropy in U.S. Society***

Private philanthropy plays an important role in American social, economic, and civic life, fighting unaddressed problems, serving underrepresented population groups, building communities, and reinforcing a national value that emphasizes individual initiative in pursuing the public good. Our research for *Giving USA* shows that in 2015 charitable giving from all sources in the U.S. totaled an estimated \$373 billion<sup>1</sup> (The 2015 estimates are the most recent currently available; 2016 estimates will be released in mid-June of 2017.)

About 71 percent of the U.S. total, nearly \$265 billion, was given by individual donors. Charitable giving by bequests is estimated to be almost \$32 billion. Adding these two components together, individuals donated 80 percent of total charitable contributions in the U.S. in 2015. American foundations contributed about \$58 billion, representing 16 percent of total charitable giving. American corporations donated another \$18 billion, accounting for 5 percent of total giving. Table 1 in the Appendices presents the amount of U.S. charitable giving by source for the period between 2001 and 2015.

Charitable contributions from U.S. individuals, estates, foundations and corporations to U.S.-based international affairs organizations totaled approximately \$16 billion in 2015, an 18 percent increase from 2014. This growth outperformed the growth in giving in all other charitable subsectors in 2015.

### ***The Role of Philanthropic Giving in Foreign Aid and International Development***

Philanthropy is increasingly global. Our research allows us to understand how philanthropic giving is reshaping foreign aid and global development in developing countries. Today, NGOs, foundations, individual donors, and corporations work collaboratively alongside official development assistance. Several factors, including technological progress and communication, make it much easier to connect people around the world to address global issues collaboratively through innovative approaches. Philanthropic giving plays a significant and highly visible role in foreign aid and international development. There were more than 6,300 international affairs public charities in the U.S. in 2013, representing 2 percent of all reporting public charities; however, this smallest subsector witnessed the largest growth among all subsectors in the number of organizations, at 19 percent, between 2003 and 2013<sup>2</sup>. The revenues and assets of international affairs public charities increased roughly 50 percent and 70 percent, respectively, from 2003 to 2013.

Many religious organizations are actively involved in international development. Research finds that nearly 60 percent of U.S. international nonprofit organizations are faith-based.<sup>3</sup> This number

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<sup>1</sup> *Giving USA: The Annual Report on Philanthropy for the Year 2015* (2016). Chicago: Giving USA Foundation™. Research and written by the Indiana University Lilly Family School of Philanthropy.

<sup>2</sup> McKeever, B. S. (2015). *The nonprofit sector in brief 2015*. Washington, DC: Urban Institute.

<sup>3</sup> Heist, D., & Cnaan, R. A. (2016). Faith-based international development work: A review. *Religions*, 7(3), 1-17.

alone highlights the important role that religious organizations have in providing international relief and promoting social development around the globe.

A closer look at total U.S. economic engagement with developing countries further demonstrates the importance of private philanthropy in the international arena and its continual growth over the past 10 years. The IGPAR reports measure economic engagement by including official aid, private philanthropy, remittances, and private capital flows. This approach offers a more complete picture of a country's total economic involvement with the developing world, and takes into account the critical role that private players have in international development. According to the 2016 IGPAR report, the total U.S. economic engagement with developing countries was estimated to reach \$365 billion in 2013-2014. The official development assistance (ODA) from the U.S. to developing countries totaled approximately \$33 billion in 2014, accounting for 9 percent of the total U.S. economic engagement with developing countries. Private sources contributed nearly \$332 billion to developing countries, including \$44 billion in U.S. private philanthropy, \$109 billion in remittances from migrants living in the U.S. to their home countries, and \$179 billion in U.S. private capital flows. Moreover, from 2004 to 2014, U.S. private philanthropy to developing countries grew by 81 percent, while U.S. government aid to developing countries increased by 55 percent during the same period. (See Table 2 in the Appendices for U.S. economic engagement with developing countries by type of flows for the period between 2004 and 2014.)

Total government aid from the U.S. and the 38 other countries included in the 2016 IGPAR report to the developing world was \$147 billion in 2014, while private financial flows of capital investments, remittances, and philanthropy was \$801 billion, more than five times higher than government aid. This includes \$513 billion in private capital flows, \$224 billion in remittances, and \$64 billion in private philanthropy. Private philanthropy alone accounts for 7 percent of these countries' total economic engagement with developing countries. (See Table 3 in the Appendices for details.)

New forms of private philanthropy, such as impact investing and crowdfunding, have grown rapidly worldwide over recent years to address global social challenges, providing financial aid and nurturing innovative solutions. Individual and institutional donors are increasingly interested in exploring new, collaborative, sustainable approaches to promoting economic and social development around the world. These trends are shaping the future of global development in a significant way.

Over the past decade, philanthropy has taken an increasingly large and visible role in global development. Collaborations between large-scale donors, governments, foundations, NGOs, businesses, social enterprises, civil society organizations and others offer possibilities for improving billions of lives.

### **Private Philanthropy Plays A Key Role in Innovation**

Philanthropy—in both small and large gifts—is playing an important role in fueling scientific advances, or serving as a catalyst for research in new areas in health, education, environment, and other key sectors. Philanthropic support also catalyzes innovation in delivering services and raising awareness around local and global health and social issues, such as HIV/AIDS, malaria, female empowerment, and financial inclusion. Private philanthropy also allows nonprofit organizations to respond quickly after disasters, and to provide access to quality education for children in remote areas who did not otherwise have it.

The Global Alliance for Vaccines and Immunisation (GAVI), a global vaccine alliance, provides an inspiring example of innovation catalyzed by private philanthropy—with initial funding from the Bill & Melinda Gates Foundation in this case—leading to an effective partnership model of vaccine development, production, and provision to developing countries. GAVI has helped approximately 580 million children in developing countries receive immunizations, since its creation in 2000. Over 65 million children received immunization with GAVI-supported vaccines in 2015 alone.

Technological advances have also provided new opportunities for cross-border philanthropy. Leveraging the power of technology, Global Giving, Kiva and other web platforms have the potential to promote accountability and transparency in global philanthropy by linking donors directly to their beneficiaries. These platforms can serve as a tool to enable donors to access and track stories and updates from beneficiaries directly, raising awareness of needs, and making donating to help someone in another part of the world much easier and more personal.

Another advantage of private philanthropy comes from its flexibility in testing new approaches and implementing evidence based-principles in international development and humanitarian relief. Initially funded by the Rockefeller Foundation and the Bill & Melinda Gates Foundation, the Alliance for a Green Revolution in Africa (AGRA) is just one example of using science and technology to increase agricultural productivity and transform the food system in Africa. Since its inception in 2006, AGRA has now expanded partnerships to local and international organizations across sectors, with African corporate and government funders joining this initiative.

The *Mobilise!* Project offers another example in which a U.S. nonprofit research institute, a U.S. social enterprise, and USAID came together and implemented new approaches to help women affected by domestic violence in Bangalore by developing and implementing a mobile phone application. This innovative, mobile phone-supported intervention, in turn, offered data to help promote advocacy against domestic violence.

In the field of global health, foundations are also forming partnerships that are specifically geared toward global health issues. Some of these partnerships include the Meningitis Vaccine Project, Project Last Mile, and AMPATH. In one example, meningitis A is no longer a major public health problem in sub-Saharan Africa. Much of this breakthrough is due to a vaccine developed by the Meningitis Vaccine Project, a successful multi-sector partnership. Project Last Mile is another example of successful partnerships between organizations in the public, private, and nonprofit sectors to improve health systems in Africa. Launched in 2010, Project Last Mile has been delivering medicines and supplies to hard-to-reach communities across Africa by leveraging Coca-Cola's supply chain and distribution expertise.

AMPATH, led by the Indiana University School of Medicine, was initially formed in response to the HIV/AIDS crisis in Africa, and has become a consortium of North American academic medical centers working in partnership with Kenya's government, local farmer groups, and community micro-finance groups. AMPATH now provides health care to more than 180,000 HIV-positive adults and education assistance to over 20,000 children left orphaned due to HIV/AIDS, as well as additional community-based health services. Examples like these are inspiring more collaborative and innovative solutions to address global challenges.

## **Role of Government Policy in Global Philanthropy**

In the U.S., government policy provides much freedom to allow and promote the growth of philanthropy and the development of a healthy nonprofit sector. The U.S. government has also scaled up new forms of organizations and new ideas in response to social challenges domestically and internationally. Globally, while some countries have witnessed an expansion of their nonprofit sector and a growth in private philanthropy during recent years, there are also growing concerns about restrictive regulations on domestic and cross-border philanthropy.

The 2015 IPF report identified three major barriers to philanthropic freedom worldwide, including 1) foreign exchange regulations and capital controls, which affect the ability to trade currencies and move funds in and out of countries; 2) extensive Illicit Financial Flows (IFF) legislation, which has imposed onerous reporting requirements on civil society organizations that receive foreign funds; and 3) existing and proposed laws in some countries designed to restrict the flow of foreign funds to human rights organizations and watchdog groups.

The International Center for Not-for-Profit Law identified four common challenges restricting the operation of international development nonprofit organizations globally.<sup>4</sup> These constraints include restrictive legal requirements for the registration and operation of nonprofit organizations, restrictions on foreign funding and affiliations, overly broad counterterrorism laws and regulations constricting activities that further international development, and the lack of trust between government and nonprofit organizations.

The School's ongoing research finds that cross-border philanthropy is subject to stricter oversight in about 20 countries where specific laws and regulations on foreign nonprofits have been passed or proposed since 2015. This increasing level of oversight towards foreign nonprofits has the potential to constrain philanthropic freedom globally, and to greatly limit the ability of philanthropy to fuel innovation and provide risk capital to address global challenges. More research on global philanthropy and its role in international development is crucial in creating awareness among professionals and policymakers about the critical role that philanthropy plays in promoting economic and social developments around the world.

Thank you for the opportunity to testify today. I will be happy to respond to any questions you may have.

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<sup>4</sup> International Center for Not-for-Profit Law. (2016). Closing civic space: Impact on development and humanitarian CSOs. *Global Trends in NGO Law*, 7(3), 1-19.

## Appendices

**Table 1 U.S. Charitable Contributions by Source, 2001-2015 (USD in billions of inflation-adjusted dollars)**

Year	Total Giving	Giving by Individuals	Giving by Bequests	Giving by Foundations	Giving by Corporations
2015	\$373	\$265	\$32	\$58	\$18
2014	\$359	\$255	\$32	\$55	\$18
2013	\$338	\$247	\$25	\$51	\$16
2012	\$343	\$252	\$25	\$48	\$18
2011	\$315	\$225	\$27	\$47	\$16
2010	\$313	\$226	\$25	\$45	\$17
2009	\$304	\$222	\$21	\$45	\$15
2008	\$330	\$235	\$34	\$47	\$14
2007	\$356	\$266	\$27	\$46	\$16
2006	\$348	\$264	\$26	\$41	\$17
2005	\$355	\$268	\$29	\$39	\$18
2004	\$327	\$253	\$23	\$36	\$14
2003	\$306	\$234	\$23	\$35	\$14
2002	\$307	\$229	\$28	\$36	\$14
2001	\$311	\$232	\$27	\$36	\$16

Source: *Giving USA: The Annual Report on Philanthropy for the Year 2015* (2016). Chicago: Giving USA Foundation™. Researched and written by the Indiana University Lilly Family School of Philanthropy.

**Table 2 U.S. Total Net Economic Engagement with Developing Countries, 2004-2014 (USD in billions)**

Year	Total	Official Development Assistance	Private Philanthropy	Remittances	Private Capital Flows
2013–2014	\$365	\$33	\$44	\$109	\$179
2010-2011	\$279	\$31	\$39	\$100	\$108
2010	\$326	\$30	\$39	\$96	\$161
2009	\$226	\$29	\$38	\$91	\$69
2008	\$132	\$27	\$37	\$97	(\$29) <sup>†</sup>
2007	\$235	\$22	\$37	\$79	\$98
2006	\$192	\$24	\$35	\$72	\$62
2005	\$192	\$28	\$34	\$62	\$69
2004	\$99	\$21 <sup>‡</sup>	\$24	\$47	\$7

Source: Hudson Institute. (2016). *The Index of Global Philanthropy and Remittances*.

Notes: † In 2008, U.S. received more private capital inflows from developing countries than outflows to developing countries, due to global recession and the banking crisis in the U.S.

‡ This includes \$1.6 billion in government aid from the U.S. to “Part II countries” as classified by the Organization for Economic Cooperation and Development (OECD), which graduated from developing country status in the OECD classification system, including Russia, Ukraine, Belarus, Israel, and several island countries.

**Table 3 Total Financial Flows from 39 Countries to Developing Countries, 2014 (USD in billions)**

Type of Flows	Total Amount from the U.S. and 38 Other Countries	Total Amount from the U.S.
Official Development Assistance	\$147 (15%)	\$ 33 (9%)
Private Capital Flows	\$513 (54%)	\$179 (49%)
Remittances	\$224 (24%)	\$109 (30%)
Private Philanthropy	\$ 64 (7%)	\$ 44 (12%)
Total	\$948	\$365

Source: Hudson Institute. (2016). *The Index of Global Philanthropy and Remittances*.

Note: This includes data from 28 member countries of the OECD Development Assistance Committee (DAC) and 11 non-DAC countries.