

# International Grantmaking: Family Giving Goes Global

By Darlene Siska

**G**eraldine Kunstadter is chairperson of the Albert Kunstadter Family Foundation, a small foundation based in New York City that started international giving in 1983. Its activity began after a Chinese architect and friend of Kunstadter's introduced her to colleagues who were curious about American architecture during the Cold War, when China was cut off from the West. Kunstadter decided to gather discarded books about architecture from U.S. libraries for them.

The book gathering eventually turned into grantmaking, and now the Kunstadter Foundation supports 25 overseas organizations annually, funding a mix of education, health and historical programs. The foundation's typical grant amount is \$5,000.

The Kunstadter Foundation, though small—its assets are less than \$5 million—hasn't allowed the seeming complexity of international grantmaking to daunt it. What's also notable is that all of the foundation's activities, including frequent international site visits, have been accomplished through four family members volunteering their time.

There are many reasons to consider international grantmaking. Many family philanthropists have undoubtedly thought of how to become involved in disaster grantmaking abroad due to the recent tsunami and earthquakes. And who among us hasn't felt as if the world were getting smaller? Who hasn't realized it's more interdependent? E-mail allows instantaneous communications the world over. Cable networks and the Internet bring news of international events into our

homes on a close-up, minute-by-minute basis. Global boundaries are evaporating as economies become more interdependent, companies transnational, and diseases show no regard for national boundaries. Additionally, communities in the United States find the world coming right to their doorsteps as new immigrants—escaping wars and difficult economic situations—arrive in their neighborhoods daily and struggle for a better future.

It's no surprise that many families are searching for what they can do as citizens of the world or that the amount of grant dollars to international projects has increased in recent years. One incentive for many grantmakers involved in international grantmaking is that small amounts of money given overseas can make a big difference. In a country like Laos, for example, where teachers make the equivalent of \$10 a month, \$2,000 can go far in upgrading a school's equipment.

In addition, family philanthropists often have more incentives than other types of funders to be involved internationally. Many family foundations are created by



donors who work for transnational corporations and who are particularly aware of the need for stability across borders. A family may want its travels to become more varied and deeper experiences that tighten bonds between family members. And family members—particularly children—may want to learn more about the world and of lives beyond their privileged experience.

Family philanthropists often begin making grants internationally because of some personal connection to a foreign country. The donor may have overseas business connections, the family may have traveled to foreign lands, or a son or daughter may have worked for the Peace Corps. In fact, if the topic of international grantmaking hasn't come up in your family, a good way to open it is to assess the board to see what international experience its members have, says Susan Cornell Wilkes, trustee of the Peter C. Cornell Trust and president of Adventures in Giving, an organization advising family foundations in international grantmaking.

Although family philanthropists may notice the woes of the world, they may not feel confident that they can make cross-border grants. They may think they don't have enough resources or don't know how to expand a local mission. They may also be concerned about violating laws or doing more harm than good through their grantmaking. They may be worried about bridging cultural and geographic differences effectively.

Admittedly, international grantmaking adds a level of administrative work, and the current environment regarding terrorism makes it more challenging. There are, however, many resources to help with international giving, some even specifically for family foundations and donors. During the past decade, an infrastructure has developed—and continues to grow—that helps educate donors and

facilitate overseas grantmaking. And, although some aspects of international grantmaking must be handled differently than domestic grantmaking, much is similar. Family grantmakers interviewed for this paper emphasized that the benefits of giving internationally outweighed any added burdens.

This *Passages* article can help family grantmakers consider their interests, weigh approaches, understand today's legal realities and make the most of international funding opportunities. It also includes a look at domestic grantmaking options for grants that help solve global challenges. A list of websites for all resources referenced in the paper can be found on pages 13 - 14.

### STARTING OFF: RESEARCHING AND NETWORKING

While family grantmakers may have traveled or worked overseas and may be knowledgeable about the challenges and needs facing other countries, there's a range of issues that must be addressed before cutting the first check. Among the things to consider: grantmaking focus; existing cultural differences and how they might be managed; the best vehicle for making grants given the family's goals and resources; the best option for monitoring grants; and, finally, the legal requirements and administrative details. This may seem like a lot to take in, but family philanthropic advisors say not to be rushed in decisions or feel discouraged by the legal issues—there are plenty of resources available to help families consider their options and create an international giving plan.

Melissa A. Berman, president and chief executive officer of Rockefeller Philanthropy Advisors, tells family grantmakers that an international giving program should be thought through like any other grant program. Questions that should be asked, Berman says, are, "Does this grant help to fulfill the mission of our foundation or fund? Does it fit with our approach to philanthropy? Are we going to see the kind of results that we look for in other grants?" Advisors recommend starting from what the family knows and from its strengths.

Cynthia Ryan, trustee of The Schooner Foundation, a family foundation established in 1998, says, "The things we fund today are things that we were interested in before we had a foundation. Our father traveled a lot and many of his children lived and worked overseas and each had developed a strong global perspective." Because the family had strong interests in human rights and security issues,

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today the foundation focuses on international peace and human rights. “Whatever issues you’re funding locally, there’s likely an international component to it,” Ryan points out.

Kenneth Wilson, executive director of the Christensen Fund, which has been making international grants in the arts since 1972 and in natural history since 1981, advises new donors to focus on a particular issue they care about, such as a disease or region. “Choose something narrow thematically, or choose a particular place,” he suggests.

Wilson and other advisors warn that donors should not create a program without first researching the issue and country or region they are interested in funding. Learning about the history, current events, social groups, religion and other belief systems of the local population can orient funders. Without this necessary step, funders may make grants that are unsuccessful or—even worse—may exacerbate problems they are trying to solve.

Research, research, research should be the beginning international grantmaker’s mantra because solid, upfront research will go far in helping new funders successfully navigate their way in international grantmaking. New international grantmakers can do research through a variety of existing resources:

**Libraries and the Internet** can be great sources of information for families considering giving internationally. Using online resources and databases, like the Foundation Center’s Foundation Directory Online, donors can search by topic or area of interest and find information on grants of more than \$10,000 already being made by U.S. donors overseas.

**Publications** such as *Global Giving Matters* and *Alliance* magazine, which both focus on international philanthropy.

**Discussions** with other funders, particularly those working on issues and areas the family is interested in. Families should actively network for advice and to learn what work other funders are doing in the international arena. Established funders may help new international grantmakers by sharing resources or providing information on gaps in their own grantmaking and may even offer opportunities to collaborate. Organizations such as the Council on Foundations, Grantmakers Without Borders, the Global Philanthropy Forum and Worldwide Initia-

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tives for Grantmaker Support (WINGS) can help provide networking opportunities. Additionally, funder affinity groups, such as Hispanics in Philanthropy or Funders Concerned About AIDS—which keeps updated statistics on AIDS cases in countries overseas—can be sources of information on international funding.

**Various experts working on these issues and in these regions.** These experts may include practitioners, such as nonprofit staffers, academics, potential stakeholders, business people, and various public-sector officials.

For assistance in deciding which vehicle may be the best option or options for giving to overseas groups, community foundations, intermediary organizations, and philanthropic advisors can be great resources (see below for details). For information on the legal issues that may affect a family’s international giving strategy, the best advice is to meet with an experienced lawyer to discuss the legalities and options of international grantmaking. In addition, the Council on Foundations advises new international grantmakers to use the resources at the United States International Grantmaking [www.usig.org] website, a project of the Council and the International Center for Not-for-Profit Law, which is updated regularly with current information.

### ***A Wide Array of Grantmaking Options***

There are a wide range of options—some direct and some through various grantmaking vehicles—for making a grant internationally to suit the needs of just about every family interested in funding abroad. Depending on the amount of funds available for international giving and the structure and staff capacity, some family philanthropists give both direct grants and grants through intermediaries or

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other organizations. But however families decide to give now, they should be aware of different strategies that are available so that their program can evolve.

**“Friends of” Funds** act as conduits of support from donors in the United States to specific overseas institutions, such as universities, foundations, arts organizations or museums. Such funds are increasingly being established as nonprofits outside the United States and some are garnering good reputations. To locate a “friends of” fund affiliated with a particular institution or working in a specific country or region, visit GuideStar’s online national database of more than 1.5 million IRS-recognized U.S. charities.

#### BUILDING INDIGENOUS PHILANTHROPIES

The idea of building the institutional and financial capacity of indigenous philanthropic organizations, such as community foundations, so overseas populations can help themselves, is one that appeals to many grantmakers. Through its Global Philanthropy and Foundation Building Program, the Synergos Institute is helping to establish and strengthen local foundations in Latin America, Southern Africa and Southeast Asia. Contributors to these program are “helping societies to create their own philanthropy at really the most local level, allowing local populations to decide what they need to do,” says James M. Brasher, III, former director of the Private Philanthropy Section of the Synergos Institute. The Institute works through partners to reduce poverty and increase equity throughout the world. Its Global Philanthropists Circle assists both individuals and families in learning about and investigating path-breaking efforts to reduce poverty. To find out more, go to: <http://www.synergos.org/globalphilanthropy/site/overview.htm>.

**Diaspora funds** promote and facilitate giving by members of a particular emigrant community for causes and projects in their home country. The World Bank has estimated that as much as \$95 billion is transferred annually in diaspora funding. One such fund, the Brazil Foundation, channels its donations to Brazilian nonpolitical nonprofits in the areas of education, health, human rights, citizenship and culture.

**E-philanthropy** makes use of the Internet to match donors with projects overseas. One website organization, the Virtual Foundation, allows donors to identify, review and select specific, carefully screened, grassroots projects to fund in the environment, health and sustainable development fields. It offers tax deductibility and provides the means for funders to build relationships with grantees. This option is good for donors unable to make site visits.

Another website comes from GlobalGiving.com. Launched by former executives of the World Bank, the site connects funders with international nonprofits that have been examined for quality, 501(c)(3) status, and compliance with the U.S. Patriot Act of 2001. With suggested donation amounts as low as \$15, GlobalGiving’s website may be particularly interesting to children of philanthropic families, who can make small grants for items like textbooks for students in developing countries. Donors can even read quarterly progress reports on the international nonprofits they choose to support through the website.

**Private voluntary organizations**, such as Catholic Relief, Feed the Children, and Doctors Without Borders, conduct many different activities around the world. In fact, funders are sometimes able to tailor a complete grantmaking strategy around one of those group’s activities. By choosing these organizations, funders receive the benefits of working with a large, typically U.S.-based charity that has experience in administering specific types of grants, offers tax deductibility and doesn’t add fees. The Schooner Foundation makes international grants exclusively through U.S.-based nonprofits, such as the Landmine Survivors Network, which works in seven countries and does advocacy work in the United States. The Schooner Foundation’s Ryan says using private U.S. voluntary organizations is a “safe and good way if you don’t have a

## INTERNATIONAL GIVING INCREASES

Between 1998 and 2002, funding to international programs increased by 106 percent from \$1.07 billion to \$2.2 billion, according to the Foundation Center. That 106 percent greatly exceeds the 63 percent increase in overall giving during that same time period. Close to half of the gain in international giving was due to the dramatic growth in funding by the Bill & Melinda Gates Foundation. But other leading international funders—such as the Carnegie Corporation and the Citigroup, Freeman, and Hewlett foundations—also posted very strong increases in giving. Excluding Gates, international giving by the Foundation Center’s sampled funders rose 57 percent.

In 2002, foundations directed the largest shares of their overseas funding to Asia, Western Europe, Latin America and Sub-Saharan Africa. Asia—which ranked second in overseas grant dollars in 1998—accounted for more than 23 percent of giving in 2002, surpassing Western Europe (21.5 percent).

Foundation Center statistics show that health issues received the fastest growth and largest share of international support—its share of giving doubled to 32 percent of overall international support. The dramatic increase reflected the Gates foundation’s emergence as the foremost global health funder, a growing philanthropic response to the global AIDS crisis, and continued strong support for reproductive health care.

Community foundations, which accounted for about one percent of international giving, reported the fastest rate of growth in grant dollars among other types of foundations—up 360 percent to \$29 million.

large staff or access to nonprofits. They make international grantmaking 100 percent easier. The best use of my time is spent somewhere else.”

**Donor-advised funds** can be found at more than 600 community foundations across the country, as well as at a growing number of public charities and at many commercial financial services. These funds allow special financial advantages—for example, donors can make a large contribution today and get a tax deduction, but can defer grant decisions into the future. Donors have the ability to recommend grantees, but not necessarily make final decisions. Many community foundations have created donor-advised funds for international grants, such as The Pittsburgh Foundation’s Friends of the Czech Republic Fund—a trend in the foundation field likely to grow over time. In fact, the Foundation Center reports that community foundations saw the fastest rate of growth in international grant dollars among other types of funding—up 360 percent to \$29 million between 1998 and 2002.

Alfred D. Chandler, an independent documentary producer from Boston, has long been interested in conservation issues in the United States. Because of his field work in foreign countries, he became interested in conservation on an international basis, which, in turn, led to an interest in building civil societies. While using U.S.-based private nonprofits as grant pass-throughs, he learned about the Charities Aid Foundation America, an intermediary,

which he introduced to The Boston Foundation in 2001. Because of the interest of the foundation in assisting with international giving, Chandler and his family members and others were able to make grants to Charities Aid Foundation America through their fund at The Boston Foundation.

**Intermediary organizations** are a good funding option because they simplify the grantmaking process, are cost effective, offer tax deductibility and ease any uncertainty about legal requirements. Rockefeller Philanthropy Advisors’ Melissa Berman says intermediaries are an excellent option for small funds and foundations because the intermediary will have many resources.

An intermediary organization is usually an unendowed nonprofit that receives individual donor, corporate and/or foundation support in order to re-grant funds to other nonprofit organizations. Intermediary organizations can save staff and administrative time and expense because they often have familiarity with social, political and cultural context, and access to in-country networks and organizations. They can also suggest grantees, screen projects and smooth out linguistic and cultural differences. Intermediaries can relieve funders of legal pressures because they also have knowledge of local and U.S. laws and regulations.

Many intermediaries are issue or region oriented. Examples include the Global Greengrants Fund, Give2Asia, King Baudouin Foundation United

States, and the Global Fund for Women. Typically, funders help to set grantmaking criteria, but the final choice of grantee goes to the intermediary. If donors want tax deductibility, they must check an intermediary's 501(c)(3) status—private foundations should ensure this if they want their grants to count toward their minimum payout requirements. They should also ask the intermediary for a copy of its annual report and about its grantmaking track record and controls at the local level. The Philanthropic Initiative, Inc.'s paper, "*Global Giving: Making a World of Difference*," provides more information about finding and working with intermediaries. Another resource for locating an intermediary is the Global Philanthropy Forum's searchable database of U.S.-based intermediary organizations.

Although intermediaries usually charge a fee for their services, most donors find the knowledge and services they offer to be worth it. But there are other funders—including small ones—who are comfortable making direct grants and prefer to use all of their funds for their grantees. Some funders desire close relationships with overseas grantees. Using

#### WORKING WITH A GRANTEE WITHOUT A FORMAL STRUCTURE

What if you find a potentially great grantee, but it isn't legally registered in its country? Kenneth Wilson, executive director of the Christensen Fund, offers some guidance for allaying fears about working with less formal grantees:

- Understand the principles the organization you're interested in funding is governed by. You have to be able to ask questions and hear the answers.
- Be sure the organization operates under some kind of internal accountability. Know who is involved in its financial management.
- If you are concerned, find out why a grantee is not registered. Sometimes it's just because there isn't an appropriate legal category, or the process is too expensive and time-consuming.

If you find that a nonprofit is not registered due to cost constraints, Wilson suggests you structure your giving with this in mind, with a few caveats: "You may want to give funding to help them register, but don't try to kill them with bureaucratic stuff. Under pressure from Western governments, many [overseas] governments have made it easy for for-profit entities to become formal entities. [But] nonprofit entities aren't given help. You have to have patience to understand this."

Of the process at the Christensen Fund, Wilson says: "The Christensen Fund prefers that we make grants to groups that are registered. But if they aren't, we use expenditure responsibility."

an intermediary can sometimes make this difficult because the intermediary often acts as a conduit between the donor and the ultimate grantee. But some intermediaries, such as the King Baudouin Foundation United States, openly encourage and facilitate interaction between donors and grantees if this is what a donor wants. If establishing a direct relationship with grantees is among a family's goals, explore the opportunities for interaction before choosing an intermediary.

**U.S. government:** The U.S. Agency for International Development has primary responsibility for implementing the government's foreign aid. Its Global Development Alliance, established in 2001, is a program to increase the agency's collaboration with private foundations, individual donors and the private sector on various international programs.

**Multilateral organizations,** such as the World Health Organization (WHO) and UNICEF, often have staff and infrastructure on the ground. Some families find that they can also be bureaucratic and lack the risk-taking nature needed for creative philanthropy.

**Funder collaboratives:** Family philanthropists should also keep in mind that by networking with other funders, particularly those involved in the issues and areas they are also interested in funding, they may find opportunities to collaborate with other families in international giving. Organizations such as the Council on Foundations, Grantmakers Without Borders, the Global Philanthropy Forum and WINGS, as well as affinity groups, can help provide networking opportunities.

Other funding options include the following, which may be more challenging to philanthropic families than the previous options listed because they bring up more questions regarding issues such as tax deductibility and due diligence, which are discussed in the following section.

**Indigenous community organizations,** such as village committees and agricultural cooperatives, are close to the ground and most capable of identifying local problems. But they may have no legal recognition in their countries and may not have access to bank accounts, phones or e-mail. Funders interested in such groups may consider grants to help build their internal operations and capacity.

**Indigenous nongovernmental organizations** may be led by strong leaders and can ensure that projects are locally owned. But while they have a formal structure and recognition, they sometimes don't have a large capacity and may be without basic equipment and funding for administrative items, such as adequate salaries or professional development for staffers. A funder may want to make grants to build the long-term capacity of such groups, especially if the donor is funding the grantee to help solve an entrenched social problem.

### FUNDING DIRECTLY

Some donors discover exciting new projects during their travels that they especially want to fund, or they want to ensure close relationships with their grantees. Those are just two reasons why families may want to fund an overseas grantee directly and tackle the administrative details themselves, rather than work through other organizations. "If a family feels passionately about a specific nonprofit, it's not as difficult as they might think to fund directly," says Berman.

This section looks at methods, sensitivities, and other legal and monetary issues related to direct international giving.

Geraldine Kunstadter of the Albert Kunstadter Family Foundation has been making international grants by finding reliable grantees through her travels and on-the-ground contacts. Kunstadter says, "It's very important if you're going to make direct grants abroad that you are a physical presence there. Grantees [must] understand that they're working under stringent rules from your government. I tell them, 'It's not just our organization that's setting down rules for them. If they don't report properly, then we're in trouble and can't help them.' They understand that, and no one has ever let us down." Kunstadter recommends that if families can't be in the country themselves, try finding an in-country consultant or reliable local contact to make site visits instead.

If a family is interested in direct grants and doesn't already have personal ties or existing contacts in a given area, expertise can usually be found. "One really nice way is to bring together a group of advisors who know your country or issue very well," the Christensen Fund's Wilson says. He advises donors to check within their already-established networks to find people who aren't "interested parties"—that

is, who won't try to sway families to fund their own projects. Wilson says, "You may discover there's another funder working in your region, or you may know a scientist who's knowledgeable about your issue but won't say 'Give all [your funding] to me.'" Advisors can be formed into a committee that will encourage program proposals from appropriate grantees and can also help assess these proposals. Wilson adds that, "It's usually appropriate to pay advisors a little bit."

Another option is to hire a program officer or a similarly skilled professional on contract if administrative funds are available to do so. Wilson says that option can give a grantmaker multiple benefits. "You'll have access to a dedicated person who can advise you where to give your funds, do site visits for assessments and go to grantees and help them do better." Funders might also be able to get a part-time program officer by sharing one with other foundations working in the same country or region.

Funders interested in publicizing a request for proposals may find it helpful to work with funder networks, in-country consultants, and local advisors and nonprofits. It is important to remember that not all grantees have access to the Internet, reliable mail service or even telephones, and working with others familiar with a particular country or issue will assure proposals get to potentially successful grantees.

One new for-profit firm, Geneva Global, Inc., studies programs in regions of the world where philanthropy is scarce to define what works and what doesn't and finds local projects with a record of delivering measurable results. Geneva Global then helps facilitate the transfer of donor funds and issues performance reports when a grant is completed.

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## DIFFERENCES AND DISTANCE

A funder may learn about the issues and culture of a potential grantee's country, but keeping an open mind and respectful attitude are critical to effective international grantmaking. The authors of *Making a Difference in Africa: Advice from Experienced Grantmakers* write,

*In developing a positive relationship with grantees, experienced grantmakers in Africa advise slowing down, having patience, establishing trust through an ongoing personal connection, and showing respect for the grantee's traditions, values and experience. In building effective partnerships with grantees, it is also important for grantmakers to acknowledge that they do not come with the answers, that they make mistakes and they want to learn from and alongside the grantee.*

It's important to keep in mind that surprise over cultural differences can go in both directions. Cultural differences also may be significant and go beyond differences in language and food or dress. There may also be differences in how money, power and even philanthropy are perceived. While every society has some culture of giving, some areas—parts of India, for example—don't have a word for philanthropy, and others consider philanthropy to be alms-giving and something to look down upon. John Harvey, executive director of Grantmakers Without Borders, a network of trustees and foundation staff interested in global social-change philanthropy, says that the important thing is to recognize that every society has a culture of giving, but to take into consideration that the language and concept of philanthropy is different in some cultures.

Be sensitive, diplomatic and patient, particularly if the grantee hasn't worked with a funder before. Overseas grantees can be intimidated by grantmaker

“The important thing is to recognize that every society has a culture of giving but to take into consideration that the language and concept of philanthropy is different in some cultures,” says John Harvey, executive director of Grantmakers Without Borders.

expectations and the process itself and may be selective about what they share. But building trust will go a long way and show the grantee that the funder is as interested in a successful outcome as the grantee is. Having face-to-face meetings will help. One funder interviewed for this paper suggested giving a small grant without making a formal evaluation as one step in building a trusting relationship.

Remember—preparation and knowledge are key. Initial research will help families expect and prepare for many differences.

## DUE DILIGENCE

Conducting due diligence is a prerequisite for making grants to organizations around the world. It usually begins with a careful review of the prospective grantee's organizational documents. Many people like to visit in person to establish the bona fides of potential grantees, but because a site visit to every potential international grantee may not always be feasible, other options exist. Staff from the Rockefeller Brothers Fund consults with experts in the field after receiving an application. The David and Lucile Packard Foundation staff at times uses a

## “TRAVELLERS' PHILANTHROPY”

Many family grantmakers become aware of international issues through their travels and, of course, they travel to conduct their philanthropic work. To encourage philanthropy and other good works by travelers, Business Enterprises for Sustainable Travel (BEST), has coined the phrase “travellers' philanthropy,” and based a program on the concept. BEST's Travellers Philanthropy Program encourages travelers to contribute socially and economically to the destinations they visit. For example, it encourages travelers to adopt sustainable practices by helping preserve natural resources during their travels or by making a donation to a charitable foundation that supports their destinations.

The program's activities also offer face-to-face, authentic connections between people of different cultures, and enables local residents to get involved in funding allocation and governance. To find out more, visit [http://www.sustainabletravel.org/programs\\_philan.htm](http://www.sustainabletravel.org/programs_philan.htm).

major accounting firm to conduct pre-grant inquiries and due diligence on all grants of more than \$50,000 through the accountant's local offices.

Grantmakers Without Borders' John Harvey says, "It's particularly challenging for a family foundation without a lot of resources to be in direct contact with international grantees." He adds that funders may be able to collaborate in monitoring and says, "At any one time, [Grantmakers Without Borders] may have a member in a foreign country who is usually quite willing to collaborate in monitoring." Harvey also recommends using low-cost counterparts of services large foundations use, such as consulting services in the field that can provide an impartial set of eyes or having monitoring performed by a professional accounting firm with an in-country office to verify grant expenditures.

Of course, large funders sometimes establish an office in a foreign country—which helps signal to people in that country that the funders have made an ongoing commitment to them.

### CURRENCY AND EXCHANGE

Banking systems vary from country to country, so it's important to investigate the currency rules and foreign exchange regulations of countries where grantees are located. In some countries, it may be possible to open a U.S. dollar currency account, while in others U.S. dollars may be converted into the local currency at the prevailing exchange rate for deposit in a local bank account. If possible, use wire transfers for grant money, which can ensure safety and timeliness.

When considering the amount of a grant, consider bank fees and other transaction costs for the grantee (which may be substantial), and factor those into the grant amount. Another consideration is the rate of inflation. Sometimes, grantmakers find they have to adjust the amount of their grant over time if exchange rates change rapidly—some donors have even had to make emergency grants because the initial grant amount didn't cover the project over time.

### EVALUATION

Another intimidating aspect to international grantmaking is evaluating grantees—a difficult task for even domestic grants. Experts stress that the key is to work on building a trusting relationship from the start. Before a check is cut, have a frank discussion with a grantee to agree on what will be monitored and to develop a common understanding of how success will be defined. Having everyone on the same page, the Christensen Fund's Wilson says,

### A FOUR-PRONGED APPROACH

Susan Cornell Wilkes, president of Adventures in Giving, Inc., which encourages and advises families on international grantmaking, suggests a four-pronged, synergistic approach to achieving sustainable change on an international level:

- At home, Wilkes says funders can support research or advocacy on international issues, support education on global issues in schools, or fund programs for immigrants in the United States.
- Overseas, funders may make direct grants, use intermediaries, collaborate with other foundations, and fund a pool of grantees that could potentially benefit each other.
- Across borders, funders may make grants for international exchange programs for students, professionals or academics, commission and promote works of art, or support international meetings and conferences with a wide international focus.
- Lastly, Wilkes says families can align their foundations' investments with their international focus by adopting program-related or socially responsible investment strategies.

is a "good step to building a good relationship." It is also essential that grantees feel the process helps them meet their goals.

Sometimes grantees may not have the capacity to track or measure their results, so funders should work in partnership with them to identify appropriate indicators of success and establish baseline data against which grants can be measured. Funds built into a grant can provide training and technical assistance if they are deemed necessary.

Grantees may be hesitant to tell funders the truth if something goes wrong because grantees worry they will not be funded again. Wilson advises, "Say directly to the grantee, 'It's okay if it doesn't go exactly as we planned. When we get a report, we want to hear the truth—if it doesn't go well, it doesn't mean we won't fund you again.'"

Because international grantees may be working on entrenched problems, Wilson says it helps when funders keep their expectations realistic. "Failure is an option because this work is difficult," he says. "It's good to stick with it unless the grantee is proving to be incompetent. Much of what they do is against the odds and evolutionary, not revolutionary. You've got to stick with it, particularly in social change issues."

Bottom line, though, it's critical that grantees feel you can trust them, and monitoring should be done delicately. "You don't want partners in the field to feel like they're [constantly] being watched," Wilson says.

## PROFILE: ONE FUNDER'S JOURNEY IN INTERNATIONAL GRANTMAKING

The Albert Kunstadter Family Foundation, a foundation based in New York City, has seen its international giving blossom since the foundation began its activity rather casually in 1983. That's despite the fact that its grantmaking and administration have been handled through the volunteer efforts of four family members, who have been frugal with the foundation's dollars and have paid for most of their travel and other expenses from their personal funds. In addition, the foundation, which is now spending out, has generally had less than \$5 million in assets and has often paid out approximately 20 percent annually. Many of its international grantees received their first grant from the Kunstadter foundation.

Geraldine Kunstadter, chairperson of the Kunstadter foundation launched its international activity in 1983 when an old friend, a Chinese architect, 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 decided to gather discarded books from U.S. libraries for them. The book gathering eventually turned into grantmaking and now, many years later, the Kunstadter foundation supports 25 overseas organizations a year, funding a mix of education, health and historical programs. The foundation's typical grant is \$5,000. "The architects hadn't had any new books since the 1950s, and these were the architects of China; they had 60,000 members over the country," Kunstadter says. After she made a grant to the architects, Kunstadter "met some other people, and they were doing wonderful things, and [international grantmaking] sort of grew. Someone tells you about somebody

and stuff happens while you're there [overseas]. You meet new people and new projects," she says.

Kunstadter travels to Asia a number of times each year to visit the programs she funds and potential grantees. She travels mostly on her own dime, so there will be more money for grantees in the foundation's coffers. She doesn't use intermediaries: "Why pay them the money that can be used for grants?" she asks.

As for grantmaking cross-borders, Kunstadter says, "There's a lot of work to be done. It's wonderful to see what organizations have accomplished with a small amount of money. The people are intelligent and educated. Even people in rural areas know what they need to do. They just need money. And if they know they need a school, they have sweat equity. No grantee has ever let me down."

Kunstadter advises funders that "when you think you've found a group of people who you like and whom you think you can work with, have them fill out the form to show equivalency."

"Never give very large chunks of money, particularly at the beginning," she says. "If you want to make a large grant, give for the first part of the project first, then maybe the next part, then maybe the next part." As part of the "getting-to-know-you-process," Kunstadter sometimes makes initial site visits and gives small trial grants to groups with potential as grantees.

Kunstadter adds, "I would encourage people to support things that haven't been much funded before. The reason for that is that's where you can have a really big impact because you are giving where there is no money."

## LEGAL ISSUES

John Harvey empathizes with families new to international giving. The law and international grantmaking "can seem intimidating at first and continues to feel intimidating for a while, but there are a lot of resources out there to be tapped readily," he says, adding, "It's not necessary to feel you've got to get massive legal advice for every grant, particularly if you get a good basic system in place, which a lawyer can help you do."

Private foundations may make grants outside the United States and count those toward their minimum payout requirements if one of two requirements are

met—establishing that the recipient organization is equivalent to a U.S. public charity or taking steps to ensure that the grant money is spent exclusively for charitable purposes.

**Equivalency Determination:** An "equivalency determination" seeks to ensure that a non-U.S. organization is equivalent to a U.S. public charity. A determination can be stated in a letter to that effect from the funder's lawyer or the grantee's lawyer. The determination is built upon materials such as the organization's founding documents, description of its activities and financial records. The foundation

## GRANTMAKING METHODS IN LARGE FOUNDATIONS

The Conrad N. Hilton Foundation, a large family foundation known particularly for its international Conrad N. Hilton Humanitarian Award, uses a mix of methods for international grantmaking. The foundation avoids using intermediaries because it adds a layer of costs. “We almost always use U.S.-based nonprofits that have a 501(c)(3) status, and it [also] simplifies a lot of the paperwork,” says Chairman and Chief Executive Officer Steven Hilton.

Hilton cites as an example a partnership with the Perkins School for the Blind, based in Watertown, Massachusetts. The foundation makes grants, and the school “in turn, does many things,” says Hilton. “They make subgrants to schools, hospitals and other organizations around the world. We use their knowledge because the staff are experts. We find that is a really good model for us... We’re using a U.S.-based nonprofit that, in turn, goes out and makes subgrants. They do a lot of training and technical assistance with grantees, so it’s all tied together,” Hilton says and adds, “There’s clearly some great benefit to this method because you’re leveraging on their knowledge.”

At times, the foundation takes expenditure responsibility. Hilton says, “For example, we have a water project in Mexico with a Mexican-based nongovernmental organization that did not have any connection with an American nonprofit. So, for us, it made sense to take expenditure responsibility.”

The Hilton Foundation also does equivalency letters, typically drawn up by an attorney, such as for the winner of the annual Hilton humanitarian prize. To handle its international grantmaking activity, the foundation has three full-time international program officers who are charged with grantmaking, monitoring and follow-up.

can also obtain an affidavit from the non-U.S. charity presenting information that meets IRS standards for a charity incorporated in the United States.

**Expenditure Responsibility:** When a private foundation makes a grant to an organization that is not classified by the IRS as tax exempt under Section 501(c)(3) and as a public charity according to Section 509(a), it’s required by law to ensure that the funds are spent for charitable purposes and not for private gain or political activities. Such grants require a pre-grant inquiry and a detailed, written

“My message,” Hilton says, “is that if a foundation really wants to make a difference where the needs are great, it should seriously look into international grantmaking.”

Carol Berde, former executive vice president of the McKnight Foundation, says its international programs reflect the interests of its board members. And they make “not at all comfortable trips into Laos and Cambodia, where they take boats into villages. If you want to do grantmaking, you have to go to these places and make contacts. There’s no substitute for spending some time there,” Berde says. The foundation, which began international grantmaking 20 years ago, has three staffers in its international program area.

Over time, Berde says, McKnight Foundation grantees have changed from being private groups located in the U.S. to being indigenous. “We decided to do expenditure responsibility,” Berde says, “and as grantees become more numerous, it’s become burdensome and now we have to meet U.S. Treasury requirements. Expenditure responsibility is our major route, but we need to find a better way to handle volume,” she says.

Overall, Berde says, the foundation’s international grantmaking has “brought the foundation greater patience and humility. Everything takes longer, and sometimes work is undone in a matter of moments by events.” But, as the foundation notes in its annual report, “Over the years, we’ve affirmed that the same core principles undergirding our work in Minnesota are equally applicable overseas: Build the capacity of people to help themselves. Stay flexible. Focus on underserved populations. Let the change come from the bottom. Concentrate funding where it can really make a difference.”

agreement. Special reports on the status of the grant must be filed with the IRS, and the grantee must be listed on the foundation’s IRS Form 990-PF.

For more on the relative advantages of equivalency determination and expenditure responsibility, see the Legal Section of the United States International Grantmaking website.

## EXECUTIVE ORDER 13224 AND THE PATRIOT ACT

International grantmakers must also comply with counter-terrorism requirements imposed by the United States government following the events of September 11, 2001.

**Executive Order 13224** prohibits the transfer of funds or other material support to persons and organizations designated by the U.S. government on various lists as terrorists. The order allows for the freezing of assets of anyone associated with terrorism, including foundations and individual donors who might unwittingly support terrorists through grantmaking. The order includes as an annex a list of known or suspected terrorists, and it references several other government lists. All institutions engaged in charitable activities involving an exchange of funds, goods or services must ensure that they are not supporting anyone on the lists. Grantmakers Without Borders and other grantmaking groups

### DISASTER GRANTMAKING

Many family foundations have a humanitarian response to natural disasters and other tragic events, and are increasingly providing grants overseas during times of crisis. Because of their ongoing relationships with grantees, long-term perspective, flexibility and convening capacity, funders have a distinct role to play in disasters. And they can make a significant contribution without the sizable emergency relief resources of governments and some well-known nonprofits by filling critical gaps in under-funded areas such as research and education.

A good nuts and bolts resource is *Disaster Grantmaking: A Practical Guide for Foundations and Corporations*, published by the European Foundation Centre and the Council on Foundations. The following eight principles of good disaster management offered in the book can help grantmakers be more effective and strategic in addressing disasters:

1. First, do no harm.
2. Stop, look and listen before taking action.
3. Don't act in isolation.
4. Think beyond the immediate crisis to the long-term.
5. Bear in mind the expertise of local organizations.
6. Find out how prospective grantees operate.
7. Be accountable to those you are trying to help.
8. Communicate your work widely, and use it as an educational tool.

advise that while there is no specific requirement to check the U.S. government lists, checking the lists is the most reliable way to act in accordance with the law.

A principal list is maintained by the Treasury Department's Office of Foreign Asset Control, which calls the list the Specially Designated List, and refers to it as a "Master List," implying that it is the most complete listing of organizations and individuals to be avoided. At least one federal court is challenging the executive order, however, so the long-term viability of the terrorist watch lists is unclear.

**The USA Patriot Act of 2001** sets potential criminal penalties for any financial transaction involving an individual or organization on the government's lists. The U.S. Treasury Department's Anti-Terrorist Financing Guidelines, Voluntary Best Practices for U.S.-based charities, recommend practices for international grantmakers for complying with Executive Order 13224 and the USA Patriot Act.

The best way to prevent charitable resources from being diverted to terrorist activities is by doing proper due diligence. For more on counter-terrorism issues, the Grantmakers Without Borders and the U.S. International Grantmaking websites have many resources.

Two helpful publications on meeting counter-terrorism requirements are: *Grantmaking in an Age of Terrorism: Some Thoughts About Compliance Strategies*, by Janne G. Gallagher from "International Dateline," Second Quarter, 2004; and the *Handbook on Counter-Terrorism Measures: What U.S. Nonprofits and Grantmakers Need to Know*, developed by the Council on Foundations, Independent Sector, InterAction and the law firm of Day, Berry & Howard.

### Overseas Legal Requirements

Besides the U.S. legal rules that affect international grants, grantmakers should also pay attention to the legal environment for charities and other nonprofits in the countries where a grant is being made. For example, sometimes foreign donors need to be registered with the government or some central agency. Legal profiles for many foreign countries, written by in-country legal experts, are posted and updated regularly on the United States International

Grantmaking website.

Sometimes laws regarding charitable activities in foreign countries are not clear and require specialized expertise. If the foundation's lawyer is inexperienced in a country's laws, consult with funders working in the country of interest for their experiences and ask for references for U.S. attorneys who may have assisted them.

## DOMESTIC FUNDING WITH A GLOBAL LENS

In *Grantmaking for the Global Village*, Emmett Carson describes “global grantmaking” as funding that implicitly recognizes the interplay between international and local events and processes. Such funding includes grants for projects in the United States and its communities.

Adventures in Giving's Susan Cornell Wilkes says global grantmaking can include:

- funding for domestic programs, such as underwriting public policy initiatives, advocacy, or research on a specific international issue;
- supporting education on global issues for grades K–12, university students and the general public; and
- funding immigration, refugee or ethnic-group issues or activities in the United States.

Many community foundations have created donor-advised funds for grantmaking with a specific global perspective, such as for helping Iraqi refugees, educating Americans about Iraqi refugees, and improving the quality of life on the U.S.–Mexican border.

Judith Lockhart-Radke, founder of the Circle of Women, a cross-cultural organization that sponsors projects for women in Oaxaca, Mexico, says she is grateful to The Boston Foundation for its seminars on international grantmaking, which “have widened her own knowledge base,” as well as launching a program that allows other grantmakers to donate to her organization.

To find a community foundation near you, check the Council on Foundations' online Community Foundation Locator.

## CONCLUSION

International grantmaking—while challenging—is attainable for any family. It will add an extra dimension to a family's grantmaking, as well as to the family itself, which will have deeper travel and

grantmaking experiences to share. There is a lot to learn about working with grantees in other cultures, but that can be an exciting adventure, too. And solid advice from a lawyer will help make legal issues—particularly those related to terrorism—less intimidating.

The Schooner Foundation's Cynthia Ryan says, “I think a lot of family foundations like to fund locally—you know the grantees well and can be hands-on. International grantmaking is different. Site visits are much more labor intensive and expensive, and evaluation is harder. Finding the best grantees for our issues may be overwhelming, and the current environment is not conducive to international grantmaking.”

“But,” Ryan adds, “for us, it's really been some of the most gratifying and rewarding grantmaking. The impact of our dollars goes a long, long way. In a small village, \$5,000 can provide very direct resources that can help a lot of people. And philanthropy is still one way we can still show the world we care.”

## ADDITIONAL RESOURCES:

### Organizations Offering General Guidance on International Giving

- Council on Foundations [www.cof.org](http://www.cof.org)
- The Global Philanthropy Forum [www.philanthropyforum.org](http://www.philanthropyforum.org)
- Global Philanthropists Circle [www.synergos.org](http://www.synergos.org)
- Grantmakers Without Borders [www.gwob.net](http://www.gwob.net)
- GuideStar [www.guidestar.org](http://www.guidestar.org)
- Worldwide Initiatives for Grantmaker Support [www.wingsweb.org](http://www.wingsweb.org)
- The Foundation Center [www.foundationcenter.org](http://www.foundationcenter.org)
- United States International Grantmaking [www.usig.org](http://www.usig.org)
- The Treasury Department's Office of Foreign Assets Control [www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)

### Philanthropic Advisors

- Adventures in Giving [www.adventuresingiving.com](http://www.adventuresingiving.com)
- Rockefeller Philanthropy Advisors [www.rockpa.org](http://www.rockpa.org)
- The Philanthropic Initiative, Inc. [www.tpi.org](http://www.tpi.org)

### A Sampling of Intermediary Organizations

- Charities Aid Foundation America [www.cafonline.org](http://www.cafonline.org)

- King Baudouin Foundation United States  
www.kbfus.org
- The Global Fund for Women  
www.globalfundforwomen.org
- Give2Asia www.give2asia.org
- Global Giving www.globalgiving.com
- Global Greengrants Fund www.greengrants.org

### Useful Publications

(Many of which can be found by visiting the publisher's websites)

- *Alliance* magazine  
www.allavida.org/alliance/alliancehome.html
- *Global Giving Matters* www.synergos.org
- *New Horizons in Family Giving: The Impact and Experience of International Grantmaking—A View from the U.S.*, Susan Cornell Wilkes, Council on Foundations.
- *International Grantmaking: Funding with a Global View*, GrantCraft, 2004.
- *Global Giving: Making a World of Difference*, The Philanthropic Initiative, 2003.
- *Beyond Our Borders: A Guide to Making Grants Outside the U.S.*, Third Edition, by John A. Edie and Jane C. Nober, Council on Foundations, 2002.
- *Expenditure Responsibility Step-by-Step*, Third Edition, by John A. Edie, Council on Foundations, 2002.
- *Grantmaking in an Age of Terrorism: Some Thoughts About Compliance Strategies*, by Janne G. Gallagher, Council on Foundations, 2004.
- *Handbook on Counter-Terrorism Measures: What U.S. Nonprofits and Grantmakers Need to Know*, "Legal Dimensions of International Grantmaking Series," 2nd quarter, Council on Foundations, Independent Sector, InterAction and Day, Berry & Howard.
- *Making a Difference in Africa: Advice from Experienced Grantmakers*, by Rob Buchanan and Jayne Booker, Council on Foundations, 2004.

### Internationally Focused Affinity Groups

- Africa Grantmakers Affinity Group  
www.africagrantmakers.org
- Asian Americans/Pacific Islanders in Philanthropy  
www.aapip.org
- Environmental Grantmakers Association  
www.ega.org
- Funders Concerned About AIDS www.fcaids.org
- Grantmakers Concerned with Immigrants and Refugees www.gcir.org
- Hispanics in Philanthropy www.hiponline.org
- International Funders for Indigenous Peoples  
www.internationalfunders.org
- International Human Rights Funders Group  
www.hrfunders.org
- Jewish Funders Network www.jfunders.org
- Women's Funding Network www.wfnet.org

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1. We value the participation of individuals and families in private, organized philanthropy.
2. We value the donor's right and ability to direct charitable assets through the philanthropic vehicles and to programs of choice.
3. We value both the concern for privacy and the responsibility of a public trust that are inherent in private, organized philanthropy.
4. We value the pursuit of excellence in philanthropy.
5. We value the role that philanthropy and philanthropic citizenship plays in a civil society.
6. We value the participation of new voices in our field.
7. We value collaboration and respect our colleagues in this work.

A full statement of these values and guiding principles is available on our website at www.ncfp.org.

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