

CWD and the U.S. Market

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Introduction

In July 2002, Catholic Welfare and Development (CWD) was incorporated as a non-profit in the United States through a U.S. trust. This incorporation allows CWD to solicit and receive tax deductible donations from U.S. donors. The benefits also include grant eligibility from foundations and corporate giving programs. These added opportunities put CWD in a position to launch its brand into the U.S. market and increase overall donations. CWD has asked the University of Notre Dame interns to analyze the U.S. market and recommend possible strategies for entrance into the market.

The U.S. is saturated with non-profits. In 2002, there were 800,000 new non-profits registered with the IRS.¹ The environment is competitive, as each organization vies for money from a finite pool of resources. This situation is amplified for international organizations. The complexity of understanding the U.S. culture, which varies from state to state, along with the anonymity of a new entrant, makes it extremely challenging for the international organization. In addition, the legal and accounting issues that all non-profits must adhere to are even more difficult for organizations that do not have a primary base in the U.S.

It seems the U.S. market is unforgiving to misguided efforts – particularly from international charities that have little to no ties to U.S. based programs. Americans are typically suspicious of international programs because they have little control or direct contact with the programs that their money is helping. The media has exacerbated this problem with recent exposés on illegitimate international charities.

This, however, does not mean that there is no opportunity within the market. On the contrary, several billion dollars are given annually to international charities by individuals and several billion more are given by foundations and corporations. Entry is not easy, but with proper preparation and research, it can be rewarding.

This document contains research on the American market. It looks at the macro economic environment in order to project the future economic situation for many Americans. It then looks at giving trends of individual households, foundations, and corporations within the U.S. International giving is analyzed next, followed by a competitive landscape of the U.S. non-profit market. The document concludes by recommending an entrance strategy for CWD into the U.S. market based on the research.

It is important to note that this document assumes that all issues associated with the legality of the U.S. trust have been addressed and that CWD can, in fact, solicit donations throughout the U.S.

¹ <http://www.labyrinthinc.com>

Macro Environment

U.S. indicators point to increasing growth. Claims for unemployment compensation decreased and personal income less transfer payments increased in early 2004. These predict a “relatively strong rate of economic growth in the near term.”² However, as economic growth continues, so does disparity in wealth distribution. The U.S. has a per capita GDP of \$37,800. In the last 30 years, almost all gains in household income have gone to the top 20% of households, with continued “stagnation of family income in the lower economic groups.”³

Consumer expenditures increased 2.9% in 2002, with the largest increase going to health care expenses. The category of “other expenditures”, of which charitable giving would be one, decreased 1.5% from 2000 to 2001 and increased 6.2% from 2001 to 2002. The other category of largest decrease from 2000 to 2001 was in the category of apparel and services (6.1%).⁴

According to the data on individual tax returns for 2002, taxable income declined 4.3%, but charitable giving deductions increased 1.7%. The average charitable giving deduction for an individual tax filer was \$3,372. The largest number of individual donors comes from the \$50,000 to \$100,000 income range.⁵ Please refer to the chart below for a depiction of the average amount of yearly charitable donations given by each income level.

Income Level	Yearly charitable donations
Less than \$15,000	\$1423
15-30,000	1890
30-50,000	2006
50-100,000	2530
100-200,000	3875
Over 200,000	17,354

Income Levels and Charitable Donations

Real GDP continues growth at a rate of 4.4% for the first quarter of 2004. The major contributors to this growth are personal consumption expenditures, exports, equipment and software, private inventory investment, and federal government spending. Domestic profits of financial corporations increased, while domestic profits of non-financial corporations decreased.⁶

Events of 9/11 prompted more charitable giving, but it was for U.S. charities. 9/11 and the subsequent war in Iraq led to an increased focus inward, such as donating to causes closer to home. In addition, economic conditions have a significant effect on charitable donation levels. If conditions are good, donors increase giving, and

² <http://www.wsj.com>

³ <http://www.cia.gov>

⁴ <http://www.dol.gov>

⁵ <http://www.irs.gov>

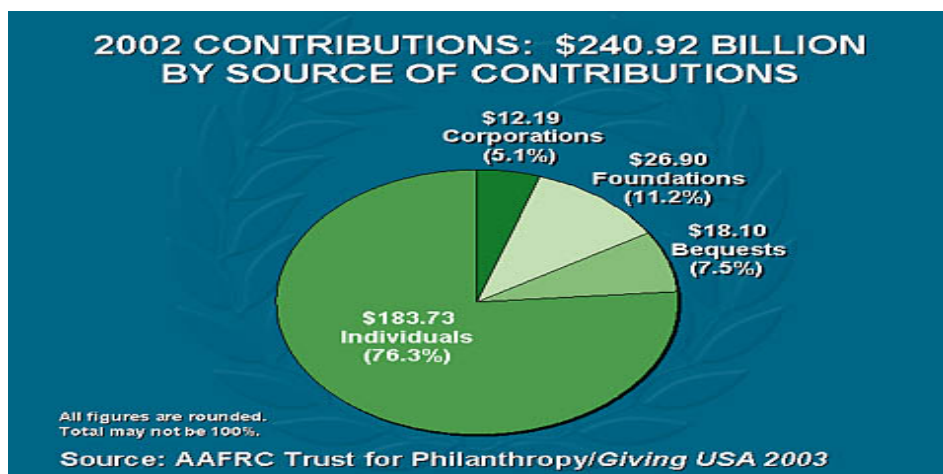
⁶ <http://www.wsj.com>

decrease when conditions are poor.⁷ The sluggish economy has led to a decrease in overall giving over the past few years, but can be expected to improve as the economy continues to recover.

Giving in the United States

Overview

Overall charitable giving in the U.S. reached an estimated \$240.92 billion in 2002. Giving essentially includes donations made by individuals, foundations, and corporations. A breakdown of 2002 contributions by source of contributions is illustrated in the chart below.⁸

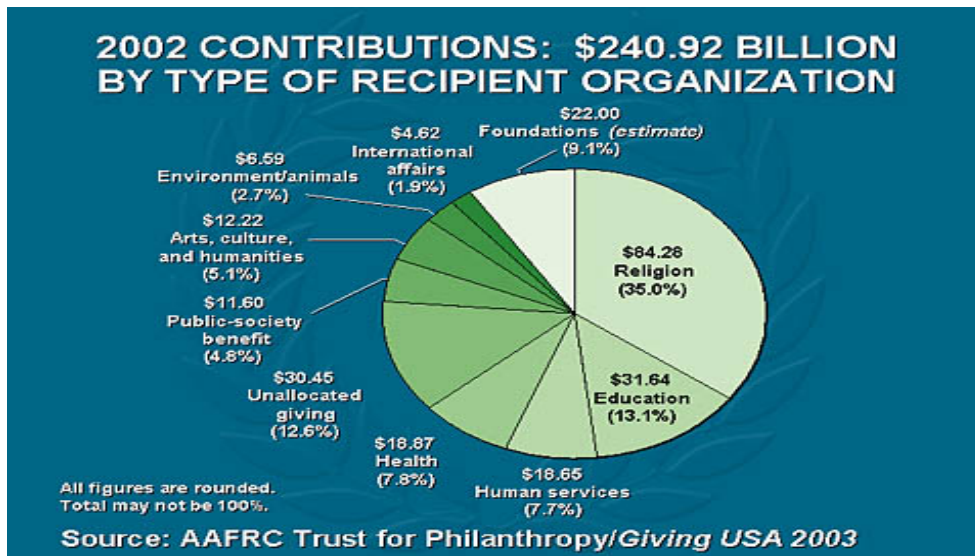


American donors furthermore distribute charitable giving to various organization types. Recipient organization types and their percentage of overall U.S. giving received in 2002 are shown in the chart below.⁹

⁷ <http://www.independentsector.org>

⁸ www.aafrc.org

⁹ www.aafrc.org



Because giving in the U.S. is comprised of contributions made by various donors, it is important to consider the giving trends of each. Individuals, foundations, and corporations partake in different giving behaviors, and in the section that follows we will discuss some of the distinct giving patterns of each.

Individual Giving

Individuals contribute the most to overall giving in the U.S., accounting for 76.3% of total giving in 2002. It is therefore critical for those seeking to obtain funding to have a thorough understanding of the individual donor, including who gives, why they give, and what they give to.

Independent Sector's *Giving and Volunteering in the United States 2001* survey found that 89% of households gave charitable contributions in 2000. It furthermore concluded that a significant amount of the adult population over the age of 21 participated in some form of charitable behavior. According to the survey, nearly 42% of respondents reported they both gave and volunteered, with another 46% reporting they contributed only. This compares with only about 10% who neither gave nor volunteered and 2% who volunteered only.¹⁰

Decades of research indicate higher levels of charitable giving to be positively associated with several characteristics, including higher income, higher wealth, greater religious participation, volunteerism, age, marriage, higher educational attainment, U.S. citizenship, higher proportion of earned wealth versus inherited wealth, and a greater level of financial security.¹¹ Pertinent conclusions from various studies include the following:

- On average the highest income families, those with incomes in excess of \$300,000 and who represent just 2% of families nationwide, contribute an average of 4.4% of their income to charitable causes and in aggregate approximately 37% of all charitable dollars.¹²

¹⁰ INDEPENDENT SECTOR'S *Giving and Volunteering in the United States 2001* survey

¹¹ O'Herlihy, Mary A. *Charitable Giving: How Much, By Whom, To What, and How?*

¹² O'Herlihy, Mary A. *Charitable Giving: How Much, By Whom, To What, and How?*

- Households with people who attend religious services on a regular basis gave more than twice as much annually as those who were not regular attendees (\$2,151 and \$867 respectively).¹³
- Households in which the respondent also volunteered gave substantially more than households in which the respondent did not volunteer (\$2,295 and \$1,009 respectively).¹⁴
- Adults who become more involved with giving and volunteering in their youth (before age 18) maintained that involvement into adulthood.
- Charitable giving is found to increase with age up to approximately age 65, at which point there is a drop in the dollar amount of annual charitable giving.¹⁵
- In the U.S. the majority of households (60.3%) are headed by married couples who have a higher rate of participation in charitable giving than do single, widowed, divorced, and separated households (92.5% versus a range of 82.2% to 87.5% for the other groups), and higher average household contribution (\$2,299 versus a range of \$887 to \$1,246) than the other groups.¹⁶
- Education increases participation in charitable giving, as well as the average contribution, and average percent of income contributed. Sixty-eight percent of households where the respondent had less than a high school education gave to charity, compared to 86% of households with a high school diploma, and 95% of households where the respondent was a college graduate.¹⁷
- Among households where the respondent was born in the U.S., the average charitable contribution was 59% greater (\$1,529 versus \$898 respectively) than among immigrant households. Participation rates are slightly higher where the respondent is U.S.-born: 88.9% versus 79.6% of households where the respondent was not U.S.-born.¹⁸
- 2001 survey found that whites were more likely to contribute to charity (90.3%), as compared to blacks (80.6%), Hispanics (85.2%), and other race/ethnic groups (77.6%), with some significant differences also reported in the amounts contributed.¹⁹
- Households in which the respondent reported being worried about the state of the U.S. economy and having enough money for the future gave significantly less than those that did not worry (\$1,201 and \$2,207 respectively). Fifty-nine percent of the respondents reported being worried about the economy.²⁰
- Homeowners who itemize their tax deductions give more than homeowners who do not itemize; and in every income group examined, itemizing households give at least 40% more than nonitemizing households²¹
- Itemizers give nearly two-thirds more to religion than nonitemizers²²

Numerous factors motivate an individual to make a planned gift. Respondents to the National Committee on Planned Giving survey ranked desire to support the charity, ultimate use of the gift, tax deduction, and long-range planning as the most important

¹³ INDEPENDENT SECTOR'S *Giving and Volunteering in the United States 2001* survey

¹⁴ INDEPENDENT SECTOR'S *Giving and Volunteering in the United States 2001* survey

¹⁵ O'Herlihy, Mary A. *Charitable Giving: How Much, By Whom, To What, and How?*

¹⁶ O'Herlihy, Mary A. *Charitable Giving: How Much, By Whom, To What, and How?*

¹⁷ O'Herlihy, Mary A. *Charitable Giving: How Much, By Whom, To What, and How?*

¹⁸ O'Herlihy, Mary A. *Charitable Giving: How Much, By Whom, To What, and How?*

¹⁹ INDEPENDENT SECTOR'S *Giving and Volunteering in the United States 2001* survey

²⁰ INDEPENDENT SECTOR'S *Giving and Volunteering in the United States 2001* survey

²¹ www.independentsector.org

²² www.independentsector.org

factors motivating them to give.²³ Several studies furthermore found that the “power of the ask” is additionally important in motivating charitable giving. *Giving and Volunteering in the United States 2001* determined that of the 57% of households that were asked to contribute in 2000, 61% actually contributed, compared to 39% of the households that were not asked.²⁴ The 1997 National Survey of Philanthropy reached a similar discovery. Sixty-seven percent of Hispanic households, and 68% of black households said that the biggest reason they had not volunteered or made a charitable contribution was that they were not asked to do so. Forty-four percent of white households also said not being asked had been an obstacle to participation.²⁵

Other motivations for making a planned gift include relationships with family and friends, encouragement or advice from legal or financial advisors, and relationships with a representative of the charity. Some differences in reported motivations are particularly worthy of note. Respondents in the youngest age range (18-34) placed nearly twice as much importance on the impact of their relationships with family as did the oldest group (65 and above). Women are furthermore more likely than men to find their relationships to be important in making their gift decision. Additionally, respondents with income of \$75,000 or more per year more often rated financial matters more important than those with incomes under \$75,000.²⁶ However, the ability to take a tax deduction for charitable contributions plays a major role in donor decisions - at every income level - about how much to give.²⁷

Individual donors contribute to various organization types, and in 2000 the average contributing household gave \$1,620, or 3.1% of household income. As a percentage of the dollars contributed by households in 2001, 53.3% went to religious organizations, 10.1% to education, 7.8% to human services, 5.9% to youth development, 5.8% to health, and the remaining 17% split among the other types of charitable organizations. Distribution of giving proved to be dependent on particular characteristics of the donors. For example, numerous studies about the wealthy confirm that education is the number one priority in their charitable giving. In a study which asked wealth holders about the policy issues they would like to influence, the highest-ranking policy area was improvement of education, followed by policies to do with poverty, inequality, hunger, affordable housing, and healthcare for the uninsured, and arts and culture. With respect to religious organizations, the wealthy proved to contribute significantly less to religious causes and congregations than other donors. However, they give more than twice as much to education, human services, arts and cultural organizations, as does the general population.²⁸

At the center of giving to the nation’s non-profit organizations are households that give to religion. Over 85% of religious-giving households support secular organizations. Households that give to both religious and secular causes give more money and volunteer more than households that give to only one type of organization. Fifty-two percent of all households give to both religious congregations and secular organizations, but those households account for 81% of all donations.²⁹

²³ AAFRC Trust for Philanthropy, *Giving USA Update*, #2, 2002

²⁴ INDEPENDENT SECTOR’S *Giving and Volunteering in the United States 2001* survey

²⁵ O’Herlihy, Mary A. *Charitable Giving: How Much, By Whom, To What, and How?*

²⁶ AAFRC Trust for Philanthropy, *Giving USA Update*, #2, 2002

²⁷ www.independentsector.org

²⁸ O’Herlihy, Mary A. *Charitable Giving: How Much, By Whom, To What, and How?*

²⁹ www.independentsector.org

While individual giving clearly constitutes the majority of overall charitable giving in the U.S., other donors still play an important role in contributing to the non-profit market. We will next consider recent trends in contributions made by foundations.

Foundation Giving

Foundations are the second largest contributors in the U.S. non-profit market, contributing approximately \$30 billion in 2002 and accounting for 11.2% of overall donations that year. While this was nearly a 2.5% decrease from 2001, it was still an increase of almost 8% over 2000.³⁰

Based on the total number of grants given in 2002, 26% were given to human services, 21% to education, 15% to arts and culture, 12% to public affairs/society benefit, 12% to health, 6% to environment and animals, 3% to religion, 2% to international affairs, 2% to science and technology, and 1% to social science. Based on the total number of dollars given that same year, 26% went to education, 18% to health, 15% to human services, 12% to arts and culture, 11% to public affairs/society benefit, 6% to environment and animals, 4% to science and technology, 3% to religion, 3% to international affairs, and 2% to social sciences.³¹

Most subject areas registered growth in number of grants awarded, with religion and human services experiencing the biggest gains. Among specified beneficiaries, children and youth benefited from the biggest share of number of grants in 2002.³²

While funding priorities remained generally consistent, areas that typically receive “mega-grants” for programs and for capital projects experienced some of the largest reductions in actual grant dollars between 2001 and 2002. Medical care facilities, museums, and colleges and universities posted the steepest declines, while religion and science and technology posted fastest growth in grant dollars in 2002. Furthermore, among major recipient types, educational support agencies and community improvement organizations showed high growth in funding in 2002. Despite changes in percent of dollars awarded, colleges and universities continued to receive the largest share of foundation funding overall. Among specified beneficiaries, the economically disadvantaged accounted for the largest share of grant dollars in 2002. The majority of international funding given by foundations supported U.S.-based programs.³³

Types of charitable contributions given also proved to vary across foundations. Human services, arts and culture, and religion received proportionately more support from smaller foundations, while health, environment, science and technology, international affairs, and social sciences received bigger shares of support from the 100 largest foundations. Funding also differed among independent, corporate, and community foundations. Independent foundations favored funding for education, health, human services, and arts and culture in 2002. Corporate foundations provided a larger share of giving for public affairs/societal benefit than other types of

³⁰ www.fdncenter.org

³¹ www.fdncenter.org

³² www.fdncenter.org

³³ www.fdncenter.org

foundations, and community foundations provided the largest share of their giving for human services.³⁴

Regional locations of foundations also proved to impact allocation of grant dollars. Northeastern foundations provided the largest share of grant dollars in a 2002 sample, and also accounted for the largest share of dollars received. Northeastern, Midwestern, and Southern grantmakers favored support for education, while Western foundations awarded the largest share of their grant dollars for health.³⁵

The percentages of grants and dollars given by foundations do not appear to be in CWD's favor, as religious and international organizations each account for just 3% or less of foundation contributions. However, recent trends suggest movement in the favor of religious organizations, as they experienced the biggest gains in number of grants awarded and fastest growth in dollars received in 2002.

Following individual and foundation contributions, corporate giving makes up the third largest component of charitable giving. We will now consider some of the trends and motivations behind corporate giving in the U.S.

Corporate Giving

Corporations contributed 5.1% of total charitable dollars in 2002, amounting to approximately \$12 billion.³⁶ This was an increase of 10.5% over 2001, and 2001 had even been a better year than 2000.³⁷

A survey of corporate contributions completed by The Conference Board in 2000 revealed that the 49 companies in the top five industries (pharmaceutical, computers, food/beverages, banking, and telecommunications) in terms of total giving represent only 24% of the companies but 57% of total contributions, and 84% of the value of goods donated.³⁸

Second, these industries together represented 72% of the giving to health care and 56% of the giving to education. Taken together, health and education brought in between one half and four fifths of all corporate philanthropic resources when organized by industry. This compares to the 20.9% share of national philanthropy reaching health and education in general.³⁹

Corporate giving can include cash grants made by a company foundation, contributions made by the company to the foundation, and matches of employee gifts. However, cash donations are not the only type of corporate support. In-kind support such as the donation of equipment, the use of corporate facilities, printing or design services, or access to staff expertise are common forms of corporate giving as well. Corporate giving whether by means of a foundation or not, usually is limited to programs of benefit to employees, their families, or residents of specific locations

³⁴ www.independentsector.org

³⁵ www.independentsector.org

³⁶ www.afrc.org

³⁷ www.nonprofitleader.org

³⁸ www.onphilanthropy.com

³⁹ www.onphilanthropy.com

where the company conducts business. Geography plays a significant role in corporate grantmaking, and employee matching gifts programs are increasingly common vehicles for giving.⁴⁰

Compared to individuals and foundations, it is often quite difficult to track giving information of the corporate sector. The lack of information may be the biggest obstacle grantseekers face when approaching corporations. It is likely difficult to obtain information about corporate giving programs for several reasons. They may fear raising the expectations of potential beneficiaries in a good year, because a lean year may follow. They also do not want to arouse any resentment from shareholders who may perceive the company's charitable activity as giving away profits. Furthermore, fear of losing the patronage and/or support from the public that could result from even the smallest controversy over their giving has led corporations to withhold much of their giving information. On the other hand, giving may be good for business, and corporations may want to project the image of good citizenship. Most corporate CEOs understand publicity's power. The nature of the corporate mind-set means corporate givers will often expect concrete rewards for their generosity.⁴¹

Consequently, corporations give to charitable causes to build better public and community relations, influence legislators and other opinion makers, and improve the quality of life in the geographic locales in which they operate. (Cleaner, safer, better-educated communities are good for business.) There is no simple answer to why corporations support non-profit organizations and their causes. Many contribute out of a combination of altruism and self-interest, and it is nearly impossible to determine where one leaves off and the other begins. The attitudes of top management more than any other factor seem to impact the giving philosophies of corporations. CEOs often play a primary role in company giving, with contributions officers usually reporting directly to the CEO. Grantseekers should remember that corporations, unlike foundations and other charitable groups, do not exist to give away money. Their commitment, instead, is to their customers, shareholders, employees and, most of all, to the bottom line.⁴²

Therefore, when approaching corporate grantmakers, the self-interest of the funder must always be considered. A proposal to a corporation should emphasize how its support of the non-profit will help it achieve its goals. The two parties should develop a positive relationship by aligning their activities with something both care about.

International Giving in the United States

Overview

According to various estimates, Americans give about \$19 billion overseas annually. This is on top of the roughly \$10 billion in official U.S. foreign aid. Carol Adelman, in an article in the Wall Street Journal in 2002, noted that U.S. foundations give close

⁴⁰ www.fdncenter.org

⁴¹ www.fdncenter.org

⁴² www.fdncenter.org

to \$2 billion a year for international activities (not including cross border activities). Corporate philanthropy provides nearly \$3 billion on top of that. NGOs are responsible for \$6.6 billion in grants, goods, and volunteers. Religious ministries and college scholarships account for another \$4.7 billion.⁴³

It is important to also note that there are various estimates of the actual amount of international giving – ranging up to \$34 billion. There seem to be several reasons for the large discrepancy. First, the definition of international is not consistent. Most sources define “international giving” as giving to organizations for work or programs outside the United States. However, part of this giving is ultimately spent in the U.S. on salaries, overhead, materials, and the like.

There is also the issue of the definition of “donation”. Cash is, of course, a part of this definition. However, some statistics also include goods and services. This raises the total of giving, as well as the complexity, since it must then be valued in a way to be combined with cash. In addition, there is the problem of measuring voluntarism and/or services provided below market prices. When this is included, it greatly increases the dollar amount of annual international giving.

Total charitable giving reached an estimated \$240.92 billion in 2002, a historic level, lifted by growth in giving from corporations and estates, according to Giving USA, a report released today by the AAFRC Trust for Philanthropy. The study, which is researched and written at the Center on Philanthropy at Indiana University, found that overall giving in 2002 dropped slightly, by 0.5%.⁴⁴ During this time, international giving also decreased by 0.8% (adjusted for inflation).⁴⁵

International giving essentially incorporates individual, foundation, and corporate donations. The trends for each of these sectors are composed of their own sets of factors. These factors can be further analyzed by looking individually at each of the components of international giving.

Individual Giving

The percentage of Americans who made gifts to charity in 2002 dropped sharply: 77% said they supported charities compared with 87% in 2001.⁴⁶ Individual giving was 76.3 % of all estimated charitable giving last year.⁴⁷ Less than 2% of total household contributions went to ‘international’ charities in 2002, which comes to about \$3.7 billion, based on total annual U.S. contribution of \$291 billion.⁴⁸ This contrasts with the 60 % that went to religious organizations, although a portion of this may in fact be furthering international causes.⁴⁹

A positive response from individuals to charities’ efforts to solicit contributions is helped by branding and by a clear projection by a charity of its brand identity.

⁴³ Paula Dobriansky, State Under Secretary for Global Affairs. International Philanthropy. Remarks to the Fund for American Studies. Palm Beach, Florida. January 18, 2003

⁴⁴ <http://www.aafrc.org>

⁴⁵ *ibid*

⁴⁶ <http://www.aafrc.org>

⁴⁷ <http://www.afpnet.org>

⁴⁸ <http://www.aafrc.org>

⁴⁹ Private Donations for International Development, John Micklewright and Anna Wright, July 2003

Potential contributors want a firm picture of the cause to which they are being asked to give. In addition, the brands they will be attracted to are those that are well-known and trusted. Individuals' reactions to solicitation depends on various factors, including the portrayal of the individuals in need, the fit of the charity with a donor's self image, and the degree of perceptual noise (whether competition from other charities so confuses the donor that a lower level of total contributions results).⁵⁰ The individual is more likely to donate to international causes the greater the need can be demonstrated to be urgent and the greater the degree of personal link that the donor feels with the end recipient. It is important to note that the cause of long-term development does not seem to score well on either factor.

Similarly, international giving suffers in the competition for funds due to many donors' desire to support short-term need for a fairly narrow section of the community, factors that encourage donors to feel that their relatively small contribution can make a real and immediate difference. This need also makes individuals more likely to give to causes within their respective communities than to international causes.

Even the UN, the largest recipient of international giving, cites problems in raising international funds in the U.S. from individuals. The main issue: selling 'conceptual goods' and interpreting a donor country's local culture in a way that helps sales.⁵¹ This requires the fundraiser to be closely in touch with the local market. But the UN, like many other international agencies, exists outside of national structures and finds challenges understanding local markets. Inevitably, this makes them out of touch with national societies (such as the U.S.) from which they might raise money. The implication is that UN agencies must have a national presence in the U.S. in order to raise funds from individuals. It can be inferred from this lesson that most international giving organizations will run into the same challenges (if not more so) and should also be prepared to have a strong presence in the U.S. in order to ensure funding from households.

Foundation Giving

The nation's nearly 62,000 grantmaking foundations provided an estimated \$3.1 billion for cross-border and U.S.-based international programs in 2001—nearly double the \$1.6 billion estimated for 1998. Adjusted for inflation, international giving climbed 76% between 1998 and 2001, far exceeding the 41% gain in overall giving.⁵² Three consecutive years of stock market declines and a sluggish economy caught up with foundations in 2002. While estimated U.S. foundation giving overall slipped 0.7% from 2001, support for international programs declined nearly 5%. Contributing to this faster drop in support were a sharp decrease in extremely large multi-year pledges; a return to more typical spending levels in 2002 by the Ford Foundation; and the disproportionate impact of the economic downturn on large endowed foundations, which provide the majority of international support. Nonetheless, estimated

50 <http://www.aafrc.org>

51 <http://www.un.org>

52 International Giving more than Doubles from 1998 to 2001, fdncenter.org/media/news/pr_0310c.html

foundation giving for international programs in 2002 was \$1.1 billion higher than in 1999.⁵³

In 2001, despite a lower level of new grant commitments by the Gates Foundation and the deepening stock market downturn, foundations' international support continued to rise.⁵⁴ Large multi-year initiatives of other leading donors launched at the tail end of the boom accounted for much of this sustained growth. Among the biggest were the Ford Foundation's International Fellowship Program, funded in 2001 through an exceptional \$275.5 million grant; and the Partnership to strengthen African Universities, a five-year \$100 million collaboration of the Carnegie Corporation and the Rockefeller, Ford, and John D. and Catherine T. MacArthur foundations.⁵⁵

Growth in international giving far surpassed the overall increase in grant dollars among foundations (131% vs. 71%). International giving grew much faster than overall giving regardless of grantmaker type. Interestingly, community foundations, which accounted for roughly 1% of international giving, reported the fastest rate of growth in grant dollars—up 248% to nearly \$22 million. In its general charitable purposes, a community foundation is much like a private foundation. Its funds, however, are derived from many donors rather than a single source, as is usually the case with private foundations.⁵⁶ International giving by corporate foundations nearly doubled from \$57 million in 1998 to \$108 million in 2001, while overall corporate foundation grant dollars grew by 56%.

As the community of international funders widens and new donors play a stronger role, they are relying more heavily on U.S.-based agencies to implement their programs. Between 1998 and 2001, support for U.S.-based international programs increased 163% to nearly \$1.7 billion—up \$1 billion—while funding for overseas recipients rose 82% to \$771 million. As a result, the share of international dollars targeting overseas recipients dropped from almost 40% in 1998 to 31% in 2001.⁵⁷ This latest contraction accelerates a trend that began in the mid-1990s. Of the total dollars awarded to U.S.-based grantees, \$907 million funded global programs, such as AIDS and environmental initiatives, while \$784 million targeted particular regions, especially Asia and Africa.⁵⁸

Of the nearly \$771 million in cross-border giving, one-third (\$254 million) went to Western European agencies, such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria (Switzerland) and Marie Stopes International (England), mainly for programs in developing countries. (Less than \$41 million supported Western Europe-focused activities.) Sub-Saharan Africa ranked second by dollars received, followed by Asia and the Pacific and Latin America.⁵⁹

53 International Grant Making Update, Loren Renz and Josefina Atienza, October 2003

54 *ibid*

55 Overview of Foundation Giving through 2003, Foundation Today Series, 2004 edition

56 <http://fdncenter.org>

57 International Grant Making Update, Loren Renz and Josefina Atienza, October 2003

58 *ibid*

59 <http://www.synergos.org>

Health's share of international giving jumped to 29%, up from 15% 1998, overtaking international development. Similarly, education's share of support rose from 11% to more than 17%, reflecting the Ford Foundation's International Fellowship Program, as well as the previously cited collaborative to strengthen universities in Africa. Over the same period, the share of support for the environment increased, while the share for development declined.⁶⁰

In addition, funding priorities began to reflect the impact of 9/11. Several leading foundations committed funds for projects ranging from preventing international bioterrorism, to supporting international conflict resolution efforts, to providing relief assistance and human rights protection for Afghans. Overseas, much of this early support focused on Central Asia and the Muslim world.⁶¹

The Foundation Center projects that the heightened focus on global peace and security may make the case for international grantmaking more compelling and spur greater interest in the field.⁶² Ongoing campaigns to combat infectious diseases worldwide, preserve the global environment, and reduce global poverty will also serve to attract new funding. At the same time, new U.S. Treasury Department guidelines designed to prevent the funding of terrorist organizations, while voluntary, may work to discourage international giving. More significantly, without a sustained upturn in the nation's economy and stock market, a return to robust and steady increases in U.S. international giving appears unlikely.⁶³

Corporate Giving

A Council survey of the top U.S. corporations sampled from FORTUNE magazine indicates that more than one-third engaged in some form of international giving in 2002.⁶⁴

Among the top 200 U.S. corporations, 183 are involved in corporate giving. Of these, the study identified 68 corporations that made grants directly to overseas organizations in the 2002 fiscal year, while 115 exclusively made grants within a particular U.S. region.⁶⁵

The average annual total giving (including both domestic and international giving) among the 68 corporations surveyed was \$45.73 million, which is higher than that of all grant-making corporations (\$33.8 million) during the same time. The median of international giving corporations was also higher (\$16.6 million) than that of all grantmaking corporations (\$11.25 million). There is a significant difference between the average and median of giving: 14% of corporations contribute more than \$100 million cash, while 44% make cash contribution of less than \$15 million.⁶⁶ Such

60 International Grant Making Update, Loren Renz and Josefina Atienza, October 2003

61 Charitable Giving: September 11th and Beyond, <http://www.independentsector.org/sept11/survey.html>

62 <http://www.fdncenter.org>

63 International Grant Making Update, Loren Renz and Josefina Atienza, October 2003

64 <http://www.fortune.com>

65 *ibid*

66 More Than One-Third of Largest U.S. Corporations Give Internationally, Fumiyo Layman, International Dateline Publication, Issue 69, First Quarter 2004, <http://www.cof.org>

findings further reveal that some corporations spent more than 10% of their annual profits on cash donations while others spent less than 2%. Because of the recent economic climate, almost 30% of these international-giving corporations had a negative profit in 2002.⁶⁷

Regarding the organizational structure for corporate giving, over 80% of international giving corporations have established their own corporate foundations. About 76% have in-house corporate giving programs, and about 60% have both. Interestingly, 16% of international-giving corporations have only corporate giving programs, under which circumstances those cash donations are not eligible for U.S. income tax charitable deduction. In some cases, such a grant may be deductible under the foreign country's tax laws; however, conditions vary from country to country.⁶⁸

The industries that donate the most to international programs are as follows: 1) pharmaceuticals, 2) technology, 3) automotive, 4) computer service, 5) consumer food products, 6) energy, 7) financial services, 8) insurance, and 9) telecommunications.⁶⁹ The common background among these corporations is a global commercial operation and strategy with well-designed multinational business mechanisms. They tend to make grants to countries or regions where their business operations are well established or prospective.

It is important to note that the research cited does not account for the corporate giving flow to "friends of" organizations. These are organizations formed to seek and receive grants and contributions inside the U.S. to be spent on behalf of a charitable organization outside the country. This is potentially the type of organization that CWD would form. Thus it is possible that more corporations are engaged in international giving through intermediary organizations than the results show.

Secondly, this study does not break down the share of international grant dollars to total giving—meaning that a large grantmaking corporation that may spend 1% of all giving to international programs is not differentiated from a small corporate foundation that may donate 90 percent to international programs. Finally, because this survey is only based on 2002 data with no comparison of consecutive years, it does not examine the impact of 9/11 or whether corporate giving (including international giving) increased or decreased as a result. However, the finding that more than 30% of successful U.S. corporations recognize their global social responsibility suggests a bright future for international philanthropy.

Competition

Overview

As mentioned above, the U.S. climate for international charities is fierce and CWD will face many competitors upon entrance into the market. Non-profit organizations

⁶⁷ *ibid*

⁶⁸ Foundation Growth and Giving Estimates for 2003, Loren Renz, 2004

⁶⁹ More Than One-Third of Largest U.S. Corporations Give Internationally, Fumiyo Layman, International Dateline Publication, Issue 69, First Quarter 2004, <http://www.cof.org>

are competing not only with each other, but with other important demands on donors' money. These competitors come from many sources, and a brief discussion of major competitors follows.

U.S.-based Catholic Organizations: Catholic Charities

Catholic Charities is a national service and development organization with local offices nationwide. This organization targets donors of all faiths and conducts ongoing community projects. They receive funding through the government and private donors. A recent campaign was to protect low-income housing. Catholic Charities has the advantage of having an established brand image, a physical presence in numerous U.S. locations, a clear mission, as well as direct links to U.S. dioceses.⁷⁰

Maryknoll Missionaries

The Maryknoll Missionaries is a U.S.-based organization that supports a network of Catholic priests, sisters, and lay missionaries in developing countries. This organization is a direct competitor of CWD. Maryknoll speakers present their mission to Catholic parishes in the U.S. and take up special collections to further their work. Children raised in the Catholic Church will grow up remembering this charity and may be more loyal to this organization than other international charities. Maryknoll also has the advantage of a long-standing U.S. presence and widespread name recognition. Donors know that Maryknoll is a stable, reputable charity.⁷¹

Other U.S.-based Charities

Despite popular beliefs, the U.S. has poverty-stricken areas and many individual families that are in similar needy conditions to those in Africa. Donors who are knowledgeable about poverty in the U.S. may be hesitant to send money to a foreign charity when people in the U.S. are also suffering. The events of 9/11 gave some donors an increased feeling that they should donate to those in need within their home country. In addition, these U.S.-based charities have the advantage of being nearby, with visible impact and results. Donors can visit the recipients of their funds without too much difficulty. Few donors, however, are able to make the journey to South Africa to visit CWD. A list of U.S. charities can be found at www.give.org.

Other International Charities who Solicit in the U.S.

These organizations are numerous. Often donors hear about these through personal or work networks. CWD would need such a personal presence to receive any significant level of funding. The fear of fraud from an international charity is such that some donors will not send money to an overseas cause without endorsement from someone they know. Other competitive difficulties could simply be over saturation. For decades, aid to Africa has been a charitable priority in the U.S., and as such, hundreds of worthy (and not so worthy) organizations have cropped up to obtain some market share. Donors may be simply confused about which cause should be chosen. This is another reason why it would be beneficial for CWD to meet the Better Business

⁷⁰ www.catholiccharitiesusa.org

⁷¹ www.maryknoll.org

Bureau requirements for charitable organizations to demonstrate their level of professionalism and organization.⁷²

Celebrity-backed Charities

Oprah Winfrey has established a considerable charitable presence in South Africa. Her website (www.oprah.com) details her charitable giving to the area, as well as organizations to which her audience can donate. These organizations have the advantage of their worthiness being verified by Oprah and her staff. Just as with Oprah's book club, her audience is more likely to donate to these charities just by knowing of her approval.

Donor Churches

Local churches have many worthwhile causes that are visible to community members. These causes may have more immediate impact for the parishioners, who may opt to fund these projects rather than donate to CWD.

Other Expenses

As mentioned above, a quickly growing expenditure for U.S. households is health care. The aging baby boomer population will need increasingly intensive medical care as years pass, and this may eat into the discretionary funds that would have been used for giving. In addition, the households that view giving as an occasional activity may just as well increase entertainment or apparel spending as charitable giving as the economy improves.

Market Entrance

Recommended Entrance Strategy

We recommend that CWD launch into the U.S. market through a partnership with an existing charitable organization in the U.S. A non-profit partnership can encompass a wide range of arrangements, from an occasional cooperation for isolated activities to a full merger resembling corporate takeovers. For CWD's mission in the U.S., a partnership would involve identifying a like-minded, established U.S. organization with which to share fundraising activities. CWD would retain its unique identity and name, but would benefit from the existing expertise and infrastructure of a U.S. non-profit organization. This arrangement could save CWD years of time and thousands of dollars in start-up costs. The following section outlines the considerations surrounding a partnership formation, including pros and cons, potential partner

⁷² www.savethechildren.org

candidates, and our recommended next steps for CWD to pursue.⁷³ We begin with the reasons CWD should investigate this type of arrangement.

Why should CWD consider a partnership?

- Current number of charities in the U.S. is high—800,000
- CWD is currently unknown in the U.S. and establishing itself could take a considerable number of years
- A partnership would simplify the legalities of non-profit status and tax implications
- More visibility
- Fewer competitors
- Less need for physical presence in the U.S.
- Donors who see efficient operations and lack of redundancy will be more likely to support CWD
- Lean operations lead to more available program money
- Non-profits are coming under more scrutiny for wastefulness
- The years and resources it would take to establish CWD in the U.S. could be better spent to help people in South Africa
- Donors are evaluating charities like businesses. Those that operate intelligently and get less for more will attract more funding
- Our initial research reveals that a U.S. campaign for CWD by itself may not even raise enough funds to cover the initial investment

Although the benefits are many, CWD should also consider the drawbacks when formulating the first steps of working with another organization.

Why should CWD be cautious about forming a partnership?

- Partnering may detract from actual CWD donations and CWD message
- Will come under bylaws of another organization
- Dependent on that organization for support
- Can only have one partnership, must choose carefully
- Growing too quickly could lead to inefficient operations and loss of client focus
- Partnership itself will take time and money, especially as it occurs between countries
- Must rely on and agree with this group's strategies
- Difficult to find a partner with the same religious base

With these cautions in mind, we now move on to identify possible types of organizations with which to partner.

Who are CWD's possible partners?

⁷³ "The Powerful Possibilities of nonprofit mergers: supporting strategic consolidation through law and public policy", Garry W. Jenkins, USC Law Review; www.tgci.com; www.not-for-profit.org; www.rcf.usc.edu

- Religious non-profits (diocese or Catholic charities): a good starting point. This would be a venue through which CWD could make occasional presentations. This option would also be extremely labor-intensive, as the U.S. has thousands of Catholic dioceses in its 50 states.
- Corporate (Body Shop, HP): wide visibility but highly competitive. CWD would also come under the values of these organizations. It would be hard to find an exact corporate match.
- Non-religious non-profit: a good option, but may run into clashes surrounding Catholic values.
- Non-profit service or hosting site: possibly expensive and untested methods. These organizations charge a fee but cannot provide a guarantee of any return on investment.
- *Our recommendation: religious non-profit - Catholic Charities or Maryknoll.*

After considering these partnership possibilities, the actual formation of the partnership itself must be considered. Care should be taken to target potential partners by making initial contact with them. Partners should be chosen for their similarity to CWD in vision and mission, as well as basic organizational structure. At initial meetings, CWD and the potential partner should discuss shared vision and goals, and logistics of working together. These matters should be very clear prior to moving forward with the partnership. A written contract that outlines the scope of the arrangement should be developed, preferably with the advice of an attorney specializing in non-profit legalities. This will prevent any future misunderstandings about the exact nature of the relationship. For example, if CWD markets itself on its partner's website, that should be made explicit in the contract. Finally, once the partnership is operational, CWD should evaluate the effectiveness of the partnership. Did donations go up; administrative expenses go down, etc.? An arrangement that is not producing positive measurable outcomes should possibly be terminated.

Conclusion

The U.S. non-profit sector is a growing market whose participants continue to compete for donor funding. With little or no existing presence, new entrants face extreme challenges in developing a recognizable image and donor base. This is especially true for international non-profit organizations hoping to enter the U.S. market. Establishing themselves when breaking into the market alone can prove to be costly and time-consuming for foreign non-profits. A significant amount of both financial and human resources is needed to effectively promote an organization to the right audiences.

Of the three leading donors, the individual donor unmistakably has the largest propensity to give to a non-profit organization of CWD's type. It is therefore vital that CWD aggressively market itself to this group, and doing this with the help of an existing, reputable non-profit in the U.S. will help CWD to establish rapport with such U.S. givers. So to prevent haphazardly wasting resources when entering the U.S. market, our recommended route for CWD is to form a partnership. This will eliminate the costly amounts of time and money spent on understanding the new market alone, and will furthermore allow CWD to leverage itself off of a currently

well-known organization. By not having to begin from the ground up, CWD can leap through the initial stages and move on to more advanced marketing in the U.S. A partnership is not a failure for CWD or a loss of organizational identity, but a growing point and a chance to learn from an established U.S. charity.

This report is a starting point for future marketing activities, which may or may not take the forms we have recommended. Regardless of the avenues pursued, the portrayal of giving in the U.S. market as presented above should prove to be a valuable tool in guiding upcoming marketing efforts.