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The International Dimension

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Private foundations donated about \$3 billion to activities outside the United States in 2000, with about \$2.5 billion (80%) of that amount given by U.S.-based foundations. Fourteen percent, or about \$300 million, of U.S. international funding was given to educational activities. The portion of philanthropic activities allocated to education by foreign foundations is not clear, in part because the definition of a foundation differs from one country to another. However, by some estimates, philanthropy is a far larger and more visible phenomenon outside the United States, for two reasons. First, governmental development assistance (foreign aid) is really philanthropy. Foreign aid is based on voluntary contributions of donor democracies and is often dedicated to educational and humanitarian purposes, which are roughly analogous to the domestic operations of philanthropic organizations. Second, in those parts of the world with very low incomes, this philanthropy can account for as much as 30 percent of gross domestic product (GDP), thus placing the philanthropists—whether or not they like or admit it—in a position of considerable power.

This chapter reviews definitions of philanthropy and estimates the size of both private—foundation and nongovernmental organization (NGO)—and governmental philanthropic activity outside of the United States. It provides estimates of general and educational philanthropic assistance and then raises several issues and dilemmas.

Among the most important lessons has to be that, as a competitor for philanthropic resources, education is fighting a losing battle. Of the total private philanthropy from the United States, only 14 percent is allocated to education, and of that amount, only 13 percent is allocated to K–12 educa-

tion. In spite of numerous lofty goals of "basic education for all" to which all nations subscribe, education has accounted for only about 10 percent of the total assistance from public agencies across the industrial democracies. Why has education failed to be a significant priority?¹ And why has the mismatch between the rhetoric and the reality not been a topic of more debate?

A subsequent issue concerns the interactions between donor and recipient. If a project is created on the basis of a grant, as opposed to a loan, how does one know if its content and policy reforms are truly in demand? What is the proper relationship between staff of a philanthropic donor agency and potential recipients? To what extent does being in a position of deciding over resources imply a position of virtue? Who exactly should be responsible for the policies being supported? And who should be held accountable when those policies or supporting projects fail?

What is the public's right to know in terms of information or effectiveness? Even in the case of private foundations, such as the Soros or Ford foundations, to what extent does the public have a right to have access to an unbiased source for project effectiveness? Lastly, is private philanthropy a sign of entrepreneurial enterprise or of inadequate intervention and failed public responsibility?

QUESTIONS OF DEFINITION

There are about 57,000 foundations in the United States, and they account for more than 80 percent of private philanthropic giving worldwide.² American foundations are preeminent for three major reasons: 1) the U.S. economy is the world's largest; 2) charitable giving in the United States is encouraged by the tax code, which makes donations exempt from federal and state taxation; and 3) the relatively low marginal income tax rates in the United States (about 40% for high-income individuals, compared with 60% in some European nations) facilitate the accumulation of personal wealth. Consequently, American foundations tend to be larger and much older than foreign foundations. U.S. foundations have become so prevalent that it is common for Americans to mistakenly assume that the term "foundation" transfers across international borders and that philanthropy on behalf of foundations is a common enterprise.

Outside the country, the term *foundation* may apply to membership associations, corporations, and government-subsidized enterprises, and it may imply either private or public ownership. Foundations outside the United States may also be associated with functions that are not necessarily charitable, such as political lobbying, research, and fundraising for private and public purposes.

Legislation enabling individuals and corporations to reduce their tax burdens through charitable giving is not as common or as generous in other nations. Moreover, foreign foundations are often taxed on income received.³

Organizations with structures and functions similar to private foundations in the United States certainly exist abroad. But other nations also allow the government to establish public "foundations." In Germany, for instance, foundations founded by political parties and receiving public revenues are among the larger development assistance foundations. These include the Konrad-Adenauer-, Hanns-Seidel-, and Rosa-Luxemburg-Stiftungen.⁴ In Switzerland, a foundation can be a fund in which families invest their corporate pensions for their own benefit. A British foundation drawing on commercial philanthropy may be illegal in France, and commercial profitmaking foundations operating in Norway would be illegal in Britain.⁵

Thus, the first challenge in analyzing the goals and extent of educational philanthropy abroad is to decide which organizations can be considered philanthropic and whether these are known as "foundations" or by some other term. This chapter follows the Organization for Economic Cooperation and Development (OECD),⁶ which defines a foundation as an organization that:

- Is nongovernmental
- Is nonprofit
- Possesses a principal fund of its own
- Is managed by its own directors and/or trustees
- Promotes social, charitable, religious, educational, or other activities that serve the public good⁷

Throughout Europe, there are about 357,000 organizations that refer to themselves as foundations, but only 84,000 might be classified as nonprofit and nongovernmental in purpose.⁸ About 56 percent of these foundations are located in Sweden and Denmark. Britain, Germany, and Switzerland account for another 19 percent of the foundations in Europe.⁹ The majority of European foundations, as opposed to their American counterparts, have a large number of employees, which enables them to directly manage and implement their own projects, instead of making grants to others who implement projects on their behalf.¹⁰ The American system of philanthropy, in which taxes are reduced for those who make philanthropic contributions, is becoming more common in Europe. For instance, a majority of the European foundations were established in the last two decades and were stimulated by changes in taxation legislation governing nonprofits. About a third of the foundations in Europe have projects in the field of education, while 25 percent have projects in social services and 17 percent in health care.¹¹

Philanthropy in Asia is not as developed as it is in Europe. Japan treats NGOs and other nonprofit organizations as informal branches of public agencies. In Bangladesh and New Zealand, the government does not permit tax exemptions for donations to nonprofit organizations. Businesses in these two nations are given no reduction in taxes for charitable donations. Though three-quarters of the Australian population reports giving to charity, Australian foundations generate only 7 percent of their revenues from fundraising, while 37 percent comes from government sources and 47 percent comes from fees for service.¹² In Japan, foundations supported by large firms such as Toyota and Mitsubishi seem to mirror the Ford Foundation in intentions but not in philanthropic action. For example, Japanese foundations are more likely to be founded by the corporation itself than with the personal resources of a wealthy industrialist. In addition, the relatively high rates of taxation in Japan keep foundations' resources relatively small. A smaller after-tax income produces less inclination to donate. Also, Japanese foundations tend to concentrate on projects that cause little controversy (e.g., cultural preservation and seed crop development).

Philanthropy Organized through Religious Organizations

In both Europe and North America, religious organizations remain a common conduit for education and other activities and are financed by both public and private sources. The United States is the only industrial democracy in which public schools are not owned and managed by religious organizations.¹³ Public schools managed by religious organizations are also common throughout Latin America, Africa, South Asia, and East Asia. For the most part, these schools are affiliated with Christian churches, but in the Middle East, North Africa, and in parts of the former Soviet Union they are affiliated with Muslim mosques. Religiously affiliated public schools are so common that Americans would be wise to remember that our definition of public education (schooling financed, owned, and operated by the state) is an exception to the norm. The more common definition of "public education" is schooling the state helps finance but does not monopolistically own or manage.

Wherever school systems are managed by religious organizations, it is common for parents and community leaders to organize voluntary donations to support educational programs. This is true both for domestic religious school systems in countries such as Canada and Australia and for religious organizations that help finance school systems in low-income countries. For instance, Catholics often provide assistance through Caritas, while Protestants do so

through Christian Aid and World Vision. These organizations are among the largest private providers of educational assistance in the world. Among Muslims, the *Zakat* (charitable tax) is assumed to be about 2.5 percent of an individual's annual income and has financed hospitals, schools, public water supplies, and other public works for centuries. A religious foundation, called a *Waqf*, is the Koran's method for allocating personal wealth properly. *Waqfs* are responsible for thousands of charitable projects throughout the Muslim world. In countries with a high percentage of Muslims, the *Waqfs* are so common that governments sometimes dedicate a public ministry to oversee their activities. In the case of Pakistan, the central government ministry of *Waqfs* actually manages charitable activities, further confusing the distinction between public and private functions.¹⁴

Philanthropy for Education

The portion of activity allocated to education from foundations outside the United States is not clear, in part because the definition of a foundation differs from one country to another, making it difficult to monitor foundation activities accurately. However, some nations report philanthropic activity in a more complete fashion than others. For instance, about 16 percent of the philanthropy in Australia is devoted to educational purposes. In Bangladesh, education philanthropy accounts for 29 percent of charitable activities, while the share devoted to education is 25 percent in Indonesia, 10 percent in Spain, and just 4 percent in Korea.¹⁵

U.S.-based foundations that are engaged in international philanthropy devote about 13 percent of their giving to educational activities, compared with 11 percent for international development (including the promotion of U.S. exports, local agriculture, industry, and transport) and humanitarian relief (emergency food and medical support), and 38.5 percent for health and family planning (see Table 1).

Of the funds U.S. foundations commit to educational programs abroad, about 12 percent is allocated to projects in higher education (which make up 34% of the projects); 72 percent is allocated to graduate and professional education (23% of the projects); and 13 percent goes to support projects in K-12 education (22% of the projects).¹⁶

Foreign Aid as Foreign Philanthropy

Since World War II, the world's industrial democracies have allocated a portion of their public finances to assisting less wealthy nations in various

TABLE 1 International Activities of U.S.-Based Foundations by Sector, 2000

	U.S. Dollars, Millions	Percentage of Total	Number of Projects	Percentage of Total
International Affairs	169	6.9	1,416	13.9
International Development Relief	270	11.0	2,116	19.9
Health & Family Planning	944	38.5	1,192	11.0
Social Sciences	147	6.0	725	6.7
Environment	194	7.9	1,121	10.3
Arts & Culture	79	3.2	888	8.2
Science & Technology	33	1.4	126	1.2
Human Rights, Civil Liberties	130	5.3	946	8.7
Public Society Benefit	98	4.0	585	5.4
Religion	49	2.0	611	5.6
Education	337	13.7	1,091	10
Total	2,451	100	10,874	100

Source: Organization for Economic Cooperation and Development, "Philanthropic Foundations and Development Cooperation," *DAC Journal* 4, no. 3 (2003): Annex A.

efforts, including education. There is no legal requirement to give a certain portion of national income to foreign aid, but the industrial democracies generally agree that 1 percent of GDP is a reasonable target. This aid flows through private voluntary organizations such as CARE (an international assistance organization), bilateral organizations such as the U.S. Agency for International Development (USAID), and multilateral organizations such as the World Bank and the regional development banks.

In the years following WWII, the United States was extraordinarily generous with its assistance. In 1950, foreign aid amounted to just under 3 percent of GDP. However, the share of national income devoted to foreign aid has dropped substantially over the past 20 years. In 1997, it reached its lowest level. In terms of proportion of GDP, it fell to 0.16 percent, ranking the United States 22nd among industrial democracies in that year. The number of employees working for USAID declined from 8,200 in 1962 to about 2,000 today.¹⁷ On the other hand, few industrial democracies have attained the 1 percent level of philanthropic support considered to be the ideal. In 2002, Denmark committed 0.96 percent of its budget to international public

TABLE 2 International Education Activities of U.S.-Based Foundations by Purpose, 2000

	U.S. Dollars, Millions	Percentage of Total	Number of Projects	Percentage of Total
Higher Education	39.7	11.8	372	3.4
Graduate & Professional Education	244	72.4	254	23
K-12*	12.9	3.8	239	22
Adult & Continuing	0.5	0.2	10	0.9
Libraries	25.8	7.7	70	6.4
Other	14.2	4.2	146	13.4
Total	337	100	1,091	100

*Does not include projects of the Open Society Institute

Source: Organization for Economic Cooperation and Development, "Philanthropic Foundations and Development Cooperation," *DAC Journal* 4, no. 3 (2003): Annex A.

philanthropy; Norway committed 0.89 percent, and Sweden committed 0.83 percent. Most industrial democracies commit under 0.5 percent. Of course, since the U.S. economy is the world's largest, the United States is the largest donor in absolute terms, even though foreign aid accounts for just 0.9 percent of federal government spending.

How much international public philanthropy reaches K-12 education? Only about half of the U.S. foreign aid budget is allocated to economic development or humanitarian-based relief. The other half is allocated to military, economic, and political purposes. Moreover, foreign aid tends to be allocated to a small number of strategically important countries. A significant portion of U.S. foreign aid is devoted to the Middle East, with Israel accounting for almost \$3 billion a year and Egypt accounting for about \$2 billion annually.

Aid for education accounts for about 6 percent of the total allocated for economic and social assistance purposes, and aid to K-12 accounts for only 3.9 percent.¹⁸ Taking all donor nations together, support for education amounted to about \$3.8 billion, the equivalent of about 8 percent of international assistance. In sub-Saharan Africa, the region that arguably needs it most, aid to education amounted to only 10 percent of the total aid allocation from the 24 industrial democracies.¹⁹

In terms of the transfer of resources, how does philanthropy rank in comparison to other sources? Only a small fraction of the total flow of capital to

developing countries is in the form of charitable giving or development assistance.²⁰ In 2000, capital flows amounted to \$463 billion (with \$161 billion being net inflow to developing countries). Aid amounted to only 6.5 percent of this amount, and was dwarfed by the amount of capital flowing via foreign direct investment, which was 38.4 percent of the overall total. The lesson is that no matter how grandiose or important foreign aid may be in terms of public perception, as a means of resource transfer it amounts to no more than pocket change by comparison to private investment.

The Content of K-12 Philanthropy

The content of international K-12 philanthropy depends largely on the category of donor. Legal mandates and multinational executive boards determine grant content for multilateral donors. The International Labour Organization (ILO) offers training to vocational teachers. The World Health Organization (WHO) offers training to school officials on public health issues. The International Institute for Educational Planning (IIEP) offers training in educational statistics and administration. The United Nations Education, Science, and Cultural Organization (UNESCO), the UN agency officially responsible for education, offers training on special curricular issues such as civics and environmental issues and sponsors conferences on topics determined by its executive boards.²¹ The budgets of multilateral grantmaking agencies are smaller than those of multilateral lending institutions; hence their impact is mostly symbolic. However, these seemingly mundane conferences can serve a useful purpose. Participating educators living under harsh dictatorships or during historical periods such as the Cold War often greatly appreciate such conferences because they are their only source of international professional exchange.

Multilateral organizations that provide loans, rather than grants, do so for quite different K-12 philanthropic initiatives. These organizations include the World Bank and its International Bank for Reconstruction and Development (IBRD), the Inter-American Development Bank (IADB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), and the African Development Bank (AFDB). Content is characterized by two elements. First, it must be agreed to by local government—which always has its own sense of priorities and tends to be conservative due to the need to repay the loan. Borrowing money creates quite a different set of circumstances than receiving it as a free gift.

Moreover, these types of multilateral projects are intended to leverage policy changes as well as to directly assist education. They tend to be large

in comparison to other donor assistance. Projects for teacher reform may include new salary scales to reward higher performing teachers. A \$500 million project to finance new educational materials in the Philippines or Indonesia may include a stipulation that the materials will be manufactured by private providers instead of the government ministry. This not only could increase the availability of relevant reading materials, but also could change or privatize the entire system of educational material distribution. A project in rural Brazil may offer new reading materials, teacher training, and curriculum modernization. At the same time, it may require a new teacher license that cannot be revoked for political reasons when a new government wins an election. Multilateral lending agency educational projects move more slowly than grant projects. It takes longer to achieve consensus on project content and design. Project disbursement also takes longer. On the other hand, these projects offer better opportunities for nonmarginal, systemwide changes. Borrowers often appreciate the opportunity to participate. This is not only because interest rates are subsidized by the international community, but because these projects often involve new managerial ideas. The analytic work undertaken prior to project approval can be deeply informative to local officials because it brings them up to date with many of the current debates over education policy in Europe and North America. This is considered very valuable.

Bilateral K-12 philanthropy is quite different than multilateral K-12 philanthropy. A bilateral agency is part of the foreign policy establishment of the donor country. Funded content thus reflects broader foreign policy goals. Such goals may lead to promotion of exports and educational areas considered to be of comparative advantage. Japan, through the Japanese International Cooperation Agency (JICA), often emphasizes electronic solutions to K-12 problems, such as the use of computers, calculators, and distance education. Canada, through the Canadian International Development Agency (CIDA), often emphasizes technical schools. France emphasizes culture and language. The United States, through USAID, has traditionally emphasized bilingual education and educational technology and is now emphasizing civics education in the transition countries. In some instances, the emphases of bilateral organizations may appear self-serving, as a solution in search of a problem. But because bilateral philanthropy is organized through foreign policy interests, and because those interests inevitably include advancing trade and political influence, such emphases are natural outgrowths of the wider circumstances involved.

As with the above institution types, organizational mandate determines the content of NGOs and charitable foundation K-12 philanthropy. In some

instances the mandate may be emergency assistance. For instance, in the wake of a natural disaster, CARE or the Red Cross would fund school repair, medical assistance for schoolchildren, and textbook replacement. Church charities might be oriented toward longer-term goals, such as funding teacher training, curriculum design, or school equipment.

The Soros Foundation is one of the most interesting and influential international K-12 educational foundations. It was founded by George Soros, who migrated to the United States from Hungary after WWII. Influenced by his early experience with state socialism, Soros created the foundation in order to build and maintain "open societies."

When Eastern Europe and the former Soviet Union made the transition from party/state to democracy, the Soros Foundation spearheaded philanthropic initiatives to quickly provide experience with democratic procedures and to stabilize the democratic education of future citizens. Early programs emphasized scientific research support and new history and philosophy textbooks. Later programs have included the training of school principals, teacher retraining, policy analysis, and Step-by-Step, a program of early childhood pedagogical intervention. Assistance from the Soros Foundation flows through three streams: its worldwide network programs headquartered in New York City, its regional network programs headquartered in Budapest, and its local foundation programs.²² The local foundations are situated in about 40 countries, including those that were formerly part of the Soviet Union, countries throughout Central Europe, as well as South Africa, Burma, Haiti, and Mongolia. In 2002, the Soros Foundation's educational assistance amounted to 21 percent of overall project commitments, or \$101 million.²³

Public and Private Philanthropy Together

For most nations, official development assistance figures are an adequate proxy for total foreign aid, as private contributions account for a relatively small share of total aid. For the United States, knowing only the public sources would be insufficient as a measure of international philanthropy. Following the tsunami catastrophe in Asia in 2004, some suggested that the U.S. response was miserly. U.S. government officials, quite rightly, responded by noting that, unlike Europe, much U.S. philanthropy flows through private, not governmental, sources.

In 2002, assistance from private sources within the United States (80% of the world's total charitable activity) added 22.6 percent to the U.S. figures for official development assistance, increasing the total amount of assistance from \$13.3 billion to \$16.3 billion (Table 3). On the other hand, critics of

TABLE 3 U.S. International Philanthropy, 2002

	<i>U.S. Dollars, Billions</i>	<i>Percentage of Gross National Income</i>
Public	13.3	.013
Private	3.0	.003
Total	16.3	.016

America also have a compelling point of view, for even when private philanthropy is added—or at least the figures for private philanthropy that are available—the United States only contributes about 0.016 percent of its GDP for international charity. This is hardly earth shattering.

How generous have the industrial democracies been with respect to international educational philanthropy? Considering all donor nations, educational international philanthropy from public sources in 2002 amounted to about \$3.8 billion dollars, or about 8 percent of total foreign aid. This included, for instance, \$1.8 billion for Africa and about \$1.4 billion for Asia. The sector-by-sector breakdown of assistance illustrates the point that regardless of philanthropic purposes, which differ substantially by region, education is only a peripheral endeavor, with the highest percentage (10%) dedicated to education in sub-Saharan Africa, and the lowest (5%) dedicated to education in Europe. These figures compare unfavorably with assistance for health and population, economic infrastructure, debt reduction, and the like.

ISSUES AND DILEMMAS

Relationships between Donors and Recipients

Whether public (in foreign aid) or through private foundations, no philanthropy is neutral. Those working for foundations and governmental agencies are prone to similar influences. They act as coordinators of requests for assistance from people and institutions that by nature are at a disadvantage. This dynamic can influence their character. They may confuse their assigned position with being a personal virtue; they may feel as though they deserve to be lauded and applauded as though the support they approve were their own.

As a consequence, a complex vocabulary has developed to describe the processes by which money is controlled and approved by the recipient as opposed to the donor agency. New terminologies—"public participation," "ownership," "consultation"—have been employed to denote that the recipi-

ent was in ultimate control. For instance, the World Bank has developed new operational guidelines for its staff. These guidelines mandate a process of consultation and participation before a project can be submitted for approval by the executive board. These directives attempt to assure their management that the project is "owned" by the recipients and is not just some fancy dream of the technical staff in the donor organization. No number of administrative directives, nor any new jargon, however, can alter the fact that there is a difference in the power relationship between the donor and the recipient.

The nature of this power relationship, however, does differ with the conditions of the project. A bilateral aid agency—USAID, JICA, or the U.K.'s Department for International Development Finance (DFID)—that gives the money away in a grant is treated by the recipient as an "interested friend." Local authorities, including from the technical agencies involved, are surprisingly uninterested in the nature or content of the project. The donor agency and its staff are often treated to the illusion that what they are planning to do is exactly right, with gracious thanks all around.

Switch the terms of the project—but not the content—from a grant to a loan, however, and the nature of the relationship changes. Local technical authorities will take much more interest in the content of the project and often will debate it, regardless of how compelling the evidence offered by the donor agency to justify the project's content. Moreover, local fiscal authorities, who must give final approval for the project and who are responsible for repayment, may take a deep interest in the nature of the content and pay particular attention, for instance, to the degree of its financial sustainability. Anything that will raise salaries or ensure maintenance costs (such as computers, science labs, management information systems) will come in for particular scrutiny.

Whether a project is made on the terms of a grant or a loan may alter the nature of the relationship between local recipients and the donor agency. Agencies that lend money cannot be as cavalier about content. Because the agreement has significant financial consequences, the recipient is more careful with the donor and often considerably less obsequious.

Relationships among Donors

There are dozens of possible donor agencies in international philanthropy, even within the same sector, such as education. In instances where a nation is politically isolated, such as Zaire under the leadership of Mobutu Sese Seko or in Myanmar under the current government, few agencies will want to

make donations. In these cases, the recipient will have few choices of the source or the terms of the assistance. But in other cases, such as in Tanzania in the era of President Julius Nyerere, the competition among donors was nothing short of ferocious. I recall one instance in which I participated in preparing a new World Bank loan to education. We had just completed a meeting with the permanent secretary in the Tanzanian ministry of education. As we left his office, we were greeted by the sight of three other delegations, from Britain, Germany, and Japan, all there to convince this poor official of the virtues of their particular projects. To say the least, the situation appeared odd. Here was a country listed as among the poorest in the world, with a plethora of donors all hoping to receive approval for their ideas to provide assistance.

In Tanzania, the ideas of donor agencies often clashed. According to the Swedish International Development Agency (SIDA), Tanzania did not need more secondary education; it needed Folk Development Colleges. According to the World Bank, however, Tanzania needed more secondary education. Canada's CIDA and Germany's Gesellschaft für Technische Zusammenarbeit (GTZ) commonly recommended that countries in Africa receive assistance to technical and vocational education, in spite of the evidence, often deriving from World Bank studies, that suggested that vocational and technical education was not cost effective. Because unit costs of one agency's project may differ dramatically from another, and because a poor country cannot afford to sustain the assistance of all donor projects simultaneously, one agency's conditions may be contradictory to those of another agency. It is not unusual, in fact, to find that in a very poor country, one agency's project has to be sacrificed.

All projects are expensive to prepare. Details of construction expenses in isolated regions need to be calculated with care. Salaries and other recurrent costs need to be measured. Utilization rates and management costs need to be estimated. In some instances, a project prepared by one agency will be "stolen" and financed by a second agency. A recipient country may ask one agency to prepare a project but then offer the project to a different agency, which may have easier conditions. Accusations of project preparation theft are common and are particularly problematic with agencies with similar disbursement and implementation guidelines. This is the case, for instance, between the Asian Development Bank and the World Bank, where the problems have become so serious that the agencies privately may divide up the world of economic development into spheres of interest, with one agency taking the lead in one sector and another agency taking the lead in others.

These decisions over spheres of interest may be taken without the country's permission or consent. Thus, it is common to find a situation in which a country may wish to borrow money for education but be told that education falls within the sphere of interest of a different agency. This is the case, for instance, of education in Central Asia, where senior management of the World Bank and the Asian Development Bank informally divided up sectors without the consent of the recipients.

Donors themselves have decided that more coordination is a good idea, and for the last several years they have held donor conferences in which one agency—often the World Bank—is selected to be the “coordinator.” This allocation of responsibility among donors is suggested to be in the interest of the recipients. It is often not the case. By definition, increased donor coordination means fewer choices for the recipient. More competition, not less, is in the recipients' interest. Coordination also allows donors—such as the World Bank—with high visibility and therefore high levels of criticism and public protest to take a role with more leverage and yet less public vulnerability. It is quite advantageous for the World Bank to be able to say that a particular strategy is the product of consensus across many donor agencies in addition to itself, yet at the same time be asked to play the role of interagency coordinator. In this instance, the World Bank simultaneously gains political leverage and greater protection from public protest.

The Impact of International Education Philanthropy

Is the level of international education philanthropy high or low? Educational giving does not appear to be very significant when it is framed as only 8 percent of total philanthropy. However, the importance of philanthropy is more accurately captured by impact, rather than by amount of money spent. Educational philanthropy outside of the United States has, in fact, had a very large impact, for two reasons.

The first has to do with the environment of relative poverty. This can be estimated by calculating a dependency ratio, which is the monetary size of philanthropy received in a given year compared to a nation's Gross National Product (GNP), GDP, or the value of its imported goods and services. In Burkina Faso, for example, a nation of 14 million people, philanthropy accounted for 15.5 percent of GNP and 53.8 percent of GDP. In Nicaragua, philanthropy accounted for 31.6 percent of GNP and 30.8 percent of total imports. But Guinea-Bissau is perhaps the most extreme example. There, international philanthropy accounts for 410 percent of its GDP and

130 percent of the value of its imports.²⁴ The point here is to suggest that, though the level of resources may be small by some standards, the importance of those resources to the areas of the world where they are dedicated can be very high.

In Zambia, where over one-half of health care is provided by foreign donors, health policy is largely in the hands of those donors. Similarly, in Guinea-Bissau and other very poor countries, school systems are heavily influenced by donor policies of teacher training, curriculum reform, and textbook design. No donor agency would advertise this fact. All would portray their operations as in support of the priorities of local authorities. But the reality is that government priorities not supported by donors are meaningless because they are so unlikely to be implemented.

Thus the power of international education philanthropy exceeds its monetary investment. In some instances, donor agencies account for a large portion of all the available financial resources. Thus, in the field of education, large parts of the world are in fact recipients not just of financial assistance, but also of technical ideas stimulated by donor agencies. These include teacher merit pay in Kyrgyzstan, school vouchers in Pakistan, school-based management in Ecuador, and student loan programs to finance higher education in a dozen countries.

Content is a constant worry of the donor agencies. Has it gone too far? Is it sustainable? Is it truly "owned" by the recipients? In some instances, ownership changes as soon as there is a new election. This was the case, for instance, in Hungary, where a carefully negotiated World Bank higher education loan included tuition and other fees and a "rationalization" of small and uneconomic institutions in exchange for a significant investment in university infrastructure. The investment in university infrastructure was quite popular, but as soon as a new political party was elected, all tuition agreements were abrogated and the loan, which cost millions of dollars in preparation fees, was summarily cancelled.

While developing new democracies is the objective of much public and private international philanthropy, dealing with their impact on conditionalities has proven to be problematic. In a democracy it is more difficult to negotiate a reduction in service or an increase in the price of a service, despite compelling evidence to support it.

Conditionalities in international philanthropy raise issues other than how difficult it may be to adhere to them in a democracy. Both multilateral and bilateral donors place stronger conditions on their assistance than do U.S. foundations donating to domestic education. Some conditions placed

by international philanthropic agencies have proven to be correct over time. Textbooks have traditionally proven to be among the most effective components of education philanthropy. Textbook pedagogies have usually been within the competence of local teachers; textbooks are highly valued by recipients; and the delivery of textbooks can be monitored with some degree of precision. But when the World Bank began to lend in this area, quite by accident, it was discovered that the efficiency of textbook development depended on whether or not the ministry of education held the textbook development monopoly. In no OECD country, not even the centralized systems of Japan or France, is textbook development monopolized by a ministry of education. In every case, the ministry of education will set curriculum objectives to which the textbooks must adhere, but then contract out on a competitive basis to private publishers for their development and potential purchase.

In developing and transition countries, however, education ministries claimed a monopoly over textbook development. Quality control, local authorship, market failure, and national heritage were cited as reasons. But the real reasons often had nothing to do with technical or professional issues. Rather, they had to do with the opportunity to allocate authorship to friends and relatives and to receive considerable private kickbacks from what is one of the education sector's most lucrative sources of revenue.

In the 1960s and 1970s, conflicts occurred between the World Bank and UNESCO over textbook policy, with the latter often taking the position of the recipient ministry of education. But, with the collapse of the Soviet Union and the mounting evidence from both the industrial and health sectors, where private provision of goods and services were proving to be less expensive and of higher quality, over time it became easier to force a ministry of education to relinquish its monopoly over textbook development. This is one illustration of a long-term contribution to education development of the World Bank: Ministerial monopolies over textbook development today are a rarity, a sign of progress.²⁵

But there are also instances where the conditions placed on a philanthropic project can be counterproductive. As part of its overall program of macroeconomic reform, the World Bank has sometimes required nations to shift public expenditures from higher or vocational education to elementary education. While it is important to universalize basic education, is it wise or ethical for the World Bank to require such reallocation?²⁶

While nations should maintain their own policies, sometimes those policies may be protectionist in nature. Should nations be allowed to maintain

policies contrary to sound economic theory when they are receiving publicly funded assistance from other countries? Should locally produced textbooks, educational software, and other goods and services be protected from competition from international suppliers who may offer higher quality at a lower cost?

In some low-income countries, teacher salaries are being redesigned in accordance with the principles of performance pay in conjunction with international philanthropy. Should a philanthropic recipient be required to adhere to a policy that is still controversial in the most advanced democracies?

Disagreements over the appropriateness of certain data and policy recommendations are traditional in education. But the stakes have changed. Projects are now often designed on the basis of policy and not investment. This means that spurts of money are transferred in what are called "trenches." Trenches are released on the assurance that a recipient nation has made sufficient policy progress toward an agreed-to goal. Funds flow or can be denied on the basis of whether countries adhere to data and policy requirements mandated by donors. While it may be right for donors to place conditions on charity, what happens if those conditions are technically unsound?

Between 1962 and 1980, for instance, one condition of World Bank education assistance was that it could only be allocated to specific vocational and technical curricula. A general skills curriculum was not considered sufficiently "practical."²⁷ However, the views of the World Bank changed. Now the World Bank will only assist a vocational curriculum under highly specific circumstances, considering a general skills curriculum to be more "practical."

This example raises two issues. The first is that of responsibility when philanthropic conditions are technically incorrect. The second is the matter of how conditions are negotiated. With respect to the first, the question is, Who is responsible when technical conditions, believed to be correct, later prove to be incorrect? Who can a recipient hold accountable? Where the project is made on the basis of a grant, one may not consider calculability as being a very serious question. It is the donor's money to waste after all. But what should the policy be in an instance when the recipient needs to repay the cost of the (failed) project? What happens when the conditions of a loan turn out to be professionally mistaken? If all parties come to recognize that project conditions were incorrect, who becomes responsible? Who can be held accountable within the foundation or development assistance agency? Will a staff member lose his job if the conditions he negotiated turn out to be wrong? Is there a court to which local community leaders may appeal for repayment? Is there a mechanism for punishing officials who gave assur-

ances at the time that the conditions were professionally defensible and who later changed their opinions?

Process of Project Negotiations

Educational philanthropy projects are designed on the basis of initial studies, often conducted by consultants responsible to the donor agency. These studies are then reduced to a series of proposals for assistance. The proposed projects are negotiated with the donor agency. The donor agency typically has at its disposal a wide range of expert advice. Advisors include educational statisticians, economists, policy experts, and attorneys.

Countries that receive international philanthropy for K-12 education are typically represented in negotiations by senior officials from ministries of education and finance. The latter officials confine their judgments to issues of affordability. Education officials generally do not have systematic sources of advice comparable to those available to the donor agency.

For instance, a country entering into an agreement for education aid resources might be required to make fiscal reallocations or raise elementary school tuition. Such a country is unlikely to have a source of technical or policy advice not already associated with development institutions. Such an independent source of expertise might point out that the suggested policy may be too costly, that it may generate other unintended results, or that other reforms may be more pragmatic. While, at first glance, negotiating philanthropy may not seem analogous to an adversarial legal proceeding, comparing the two situations is in fact quite illuminating. A defendant charged with a crime is offered free legal advice on the grounds that he or she deserves to be defended in a competent manner. In the case of international loan-based philanthropy, two sides negotiate a series of important policy changes to be implemented by the recipient of the philanthropy. The philanthropic organization has access to a phalanx of expertise. The recipient side does not. Yet the side that does not have access to expertise is legally responsible to repay the loan, regardless of the effectiveness of the assistance or the results of the loan conditions.

Two things result from the recipient not being "represented." One is that the intentions of the donor may be interpreted as being intrusive and hegemonic rather than altruistic. A second is that the impact of the donor projects may be compromised by recipient countries being judged as being out of compliance, when poor or unrealistic statistical indicators themselves may be the source of such noncompliance.

LESSONS LEARNED

Private philanthropy raises similar questions internationally as it does domestically. Is private philanthropy a sign of entrepreneurial enterprise in response to the demand from recipients? Or does philanthropy represent the opposite: Does it represent a failure of the wider community to take responsibility for public service? Is it a sign of a broadly held but voluntary moral code, or is it a reflection of tax and other personal incentives designed for private gain?

In wealthy democracies such as Japan and Sweden, this question is particularly pertinent. In these countries, governments have the wherewithal to implement generous and often effective social policies. They are proud of the coverage and quality of their government-provided public education systems. For the transition countries of Eastern and Central Europe and the former Soviet Union, this question is particularly painful.²⁸ There the state has had a monopoly on educational provision and traditionally has been known for high levels of equity and effectiveness (not efficiency), but today those qualities have declined and education systems are dependent on a high level of philanthropy. In the cases of middle-income (nontransition) countries such as Brazil, Mexico, Nigeria, and Indonesia, this question is not particularly relevant. In these countries, the state has not been particularly effective and philanthropy, both local and domestic, has been a traditional source of public goods. On the other hand, for low-income countries such as Nepal, Bangladesh, Malawi, and Bolivia, the question is also irrelevant. In these countries there is no realistic choice, other than garnering public benefits from all available sources. These states are too poor to be expected to supply public benefit in anything approaching adequacy. Hence, the issue of whether or not philanthropy is a sign of public failure for these countries is not a serious one.

Is any gift given without expectations on the part of the donor? Though all donors justify their activity on the grounds of supporting local initiative, their own interests are never neutral. For instance, the Ford and Rockefeller foundations were very active in international education in the 1960s and 1970s. Their activities have been criticized by some as upholding the capitalist system and the prescriptions of American foreign policy.²⁹ Others have criticized their activities for weakening recipients' free-market orientations and stimulating a sense of victimization.³⁰

Some suggest that some U.S. foundations have become more professional in the delivery of programs,³¹ and that others have made unique contributions to social science research, agricultural productivity, and peace.³² For

instance, one study suggested that the long-term work of the Ford and other foundations in Chile made local democracy possible.³³ In the current environment, the Soros Foundation may have been more effective than public foreign aid at invigorating the very fragile, newly opened societies of Eastern and Central Europe and the former Soviet Union.

The responsibility of donors implies a need for accountability. When philanthropy funds a large portion of a community's education activities, as it does in many parts of sub-Saharan Africa, questions of accountability are particularly important. It is not uncommon to find that donations by taxpayers in industrial democracies have been used to buy expensive automobiles, mansions, and other luxuries by local leaders instead of being allocated to their rightful humanitarian purposes. Who should be held responsible if philanthropic resources are stolen? What are the rights of taxpayers in donor nations? To what court might they appeal for reimbursement, or to have sanctions put in place against those who stole their gifts? Is there any emerging consensus or any particularly promising response to this question in law, policy, or practice?

Moral responsibility is necessary to ensure that the recipients of philanthropy do not use resources for nefarious purposes. Ethnic and religious charities, whether Irish, Hindi, Muslim, or Basque, must adhere to the condition that their projects will not precipitate social tension and will not stimulate ethnic or religious insecurity. It is one thing to argue that faith-based organizations can be more effective and more efficient than government programs of assistance. But it is quite another thing to guarantee that their philosophies will not antagonize others. This issue is especially important in education, where schools and curricula can lay down the intellectual foundations for civil conflict, civil war, and religious and ethnic aggression. Such negative results of philanthropy can be seen, for example, in cases such as donations made by foreign Muslim charities to Bosnia and Pakistan.³⁴ If there is any area in which more regulation over international charities is required, it is in ensuring that philanthropic educational initiatives will foster social cohesion rather than undermine it.³⁵

It is also not uncommon to find philanthropic conditions that have created problems, such as resource waste or unanticipated distortions of local education systems. For instance, World Bank education policies in the 1970s caused the overexpansion of vocational education and diversified secondary curricula.³⁶ Regardless of whether philanthropic projects are based on loans or grants, local resources are required. It is seldom the case that foreign philanthropy is free of local cost.

Size of Philanthropy for Education

Among the most important lessons has to be the fact that education, as a competitor for philanthropic resources, is fighting a losing battle. Of the total private philanthropy from the United States, only 13 percent is allocated to education. And in spite of numerous lofty goals of "basic education for all," to which all nations subscribe, of the total assistance from public agencies across the industrial donor democracies, only about 10 percent is allocated to education. Why has education failed so dramatically to garner anything close to being a significant priority in reality? Why has the mismatch between the rhetoric and the reality not been a topic of debate?

CONCLUSION

It is true that philanthropy is not without self-interest and that donor organizations, as all organizations, have specific goals. It is true in international, just as it is in domestic, education philanthropy that all projects are associated with local opportunity costs and that these costs can deter local authorities from more important priorities. It is also true that some of the interests and goals of philanthropic organizations are mundane, duplicate local efforts, and, to avoid organizational embarrassment, are overly conservative.

Because of their fear of controversy, most philanthropic foundations and multilateral grantmaking agencies confine their programs of assistance to the least controversial content. These are classified as "supply-side" improvements. These include improvements to textbooks, curriculum, and teaching techniques. Philanthropic multilateral lending agencies, on the other hand, enter the arena of demand-based improvements. These include expanding vouchers and other choice-based methods of education financing, outsourcing of services, and privatization of educational provision.

Some ask if these outside influences distort local practice in and of themselves. From this point of view, philanthropy might be thought of as inherently intrusive. But one must not forget the value of exchanging ideas. Low- and middle-income countries often lag in matters of reform and good practice. The ideas and perspectives of philanthropic organizations can be powerful and constructive for such countries. This exposure to outside ideas can be so important for education reform that some have suggested creating a "World Bank" available for American education.³⁷ Such an organization would be large enough to make a nonmarginal difference to local U.S. school districts and lead philanthropy into demand-side interventions and macro-policy changes to make very significant changes.