

Preliminary talk – Not for citation

**The Impact of the Economic Crisis on International Philanthropy from the United States:
Some Preliminary Ideas**

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I. Impact on philanthropy in general terms

Reduced donations by individuals, private foundations, corporate entities (including foundations) and others

Reduced endowments, including foundations, universities and others, and thus less money to give or to work with

Reduced revenues and budgets to nonprofit organizations, and reduced social spending

II. International impact

Reduced export earnings in poorer nations

Reduced budgets for social services

Reduced development aid

The impact of reduced endowments: Less funding available, including perhaps less international

Other reduced funding, perhaps, if the data shows: ie diaspora giving and remittances

III. Impact on international philanthropy from the United States

5.4b for IP in 2007 from the US (both direct giving abroad and giving to US-based intl programs; Foundation Center (FC)

Rose 70% over 2002 3.2b (almost 50% with inflation) (FC)

The Gates/Buffett roles in the rise in IP from the US since 2002 (ie Gates 2002 525m -> 2b in 2006; ie in 2006, Gates = 1.974b or 47% of US IP; FF = 287m or 7%, others = 1.95b or 46%) (FC)

Special situation, and one particularly relevant to Israel: The Madoff case

Role of the payout rate

The situation in 2008 and 2009:

Attempts to remain even in giving, including IP, in the face of the crisis and reduced endowments and heightened need

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Foundation choices and strategies:

Increase payout to keep grants level, or not increase payout (or not too much) -> lowered grants

Illustrations (simplified, not including rolling averages)

US law requires private foundations to pay out 5% of rolling average of net assets

Normal payout 5% on 100m endowment (E) = grants of 5m

E down 25% = 75m – to maintain 5m grants requires payout rate of 6.75% (of 75m = 5m)

E down 30% = 70m – to maintain 5m grants requires payout rate of 7.15%

E down 35% = 65m – to maintain 5m grants requires payout rate of 7.7%

Focus giving on social and other needs arising from the crisis, or maintain more-or-less regular priorities?

Other factors/aspects:

Diaspora funding/remittances – impact?

Diversification

Dealing with the Madoff-type situations

More pressure to give in the US? Unclear

Other factors

A few words about the ISTR/ICNL experiences since the summer of 2008

IV. Any preliminary conclusions?

Long-term, perhaps less impact than feared?

Data from philanthropic giving in earlier downturns

Sparse data so far on our current situation