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Estimating the Number of Foundations and Investment Funds Supporting the Financing of Global Public Policy Concerns

A UNDP/ODS Background Paper
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The New Public Finance: Responding to Global Challenges

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INTRODUCTION

One of the defining characteristics of international cooperation over the last decade has been the emergence of new actors engaged in supporting and financing global public policy concerns. One of the research goals of the book project *The New Public Finance: Responding to Global Challenges* was to analyze this process. To meet this goal, three different, but interrelated, research tasks were undertaken. One considered global public-private partnerships, while a second tracked the evolution of international financing mechanisms and tools in support of international cooperation. Both resulted in inventories, defining, listing and describing, both global public-private partnerships, and international financial mechanisms and tools.¹ The third research track, which this paper summarizes, was an effort to estimate quantitatively the evolution of new foundations and investment funds engaged in financing global public policy concerns.

Consistently with the findings on global public-private partnerships and financing mechanisms, an explosive growth was identified over the last decade. In numbers of new entities, foundations and investment funds vastly outweigh global public private partnerships and financing mechanisms. However, the sheer volume of these entities makes it unpractical to establish an inventory similar to the one created for partnerships and financing mechanisms. At the same time, given data constraints, the estimates presented here should be considered indicative. Comments on both data sources and the methodologies used are very much welcomed and encouraged, and could be conveyed to ods@undp.org.

The paper is divided in two parts. First, the paper provides an estimate of the number of new foundations that have been created in each decade since 1945 that are financing global public policy concerns. This estimate is based on two separate data sources and analysis, one for U.S. based foundations, and another one for European based foundations. The second part of the paper estimates the evolution in the number of investment funds financing global public policy concerns. This estimate is based on a data set of investment funds that was created for this purpose.

¹ The inventories are available at www.thenewpublicfinance.org.

I. ESTIMATING THE NUMBER OF FOUNDATIONS THAT FINANCE INTERNATIONAL COOPERATION

This section describes the approach used to estimate the number of new foundations created in each decade since 1945 engaged in international grantmaking. Given the large diversity of legal definitions of foundations and the scarce data sources, these estimates should be considered indicative.

The estimates are based on two sets of data, one for foundations based in the United States and the other for foundations in Europe. Each of these two sets of data is analyzed separately before coming to a consolidated global estimate.

The estimates consider only foundations that disburse grants to address global public policy concerns. Foundations that are not autonomous and “operational foundations” (which consume resources internally) are excluded.

Data Related to United States Based Foundations

The estimates of the number of U.S. foundations financing global public policy concerns is based on studies on international giving by the Foundation Center (2004a,b, 2005). The number of *existing* U.S. foundations engaged in financing global public policy concerns is from Foundation Center (2004a). This study collected detailed information from a sample of 1,005 of the larger U.S. foundations (Foundation Center 2004a, p. 10), including the extent to which they were engaged in international grantmaking. The foundations sampled in this study represent half of total giving and two thirds of international giving (Foundation Center, 2004a, p. xi).

While considering only this sample underestimates the total number of US foundations engaged in international giving, given that the sample represent two thirds of total international giving, it is likely to capture those that are, on an individual basis, of substantive and sustained importance in providing grants internationally. Note that the remaining one third of the volume of international giving is spread out through about 55,000 other individual foundations (see Foundation Center, 2004a, for details). In the sample of 1,005 large foundation considered in the study, 636 foundations were engaged in international giving in 2002.

Since the objective is to estimate how many new foundations have been *created* in each decade since 1945 that provide grants to global public policy concerns, the challenges is to estimate when each of the 636 foundations that are known today to give grants abroad was created.

Table 1 summarizes the process that was followed to estimate the new foundations engaged in international giving created in each decade.

Row (1) indicates the percentage of the large foundations in existence in 2002 that were created in each decade (Foundation Center 2004b, p. 9). Note that the set of large foundations considered here differs from the sample considered by Foundation Center (2004a), and from which the 636 foundations in existence in 2002 engaged in international giving originated. The distribution in row (1) is taken as indicating when the 636 were created, leading to the distribution of the 636 foundations engaged in international giving in 2002 as reported in row (2).

However, the distribution in row (1) takes account of the rate of creation of foundations in general. It does not consider whether there has been a change over time in the engagement of the newly created foundation in global public policy concerns. It would be important to determine whether there has been any evolution over time in the level of engagement of U.S. foundations in international grantmaking.

One way of ascertaining this evolution is to consider what has been the share of total grants that was given abroad. This information is provided in row (3), which indicates the share of giving that was intended for international purposes (Foundation Center 2005, p.22). The share up to 1979 is based on the 1982 estimate of 5% and for 1980-1989 it is based on the estimate of 8.8% for 1990. Finally, the estimate for 1990-1999 is based on an average of 11.2% (for 1998) and 14% (for 2002).

It is clear from row (3) that there has been a growth in the share of total giving that has been allocated internationally. This information can be used as a proxy for the overall general engagement of US foundations in global public policy concerns. The assumption is that higher the percentage of total giving that is spent abroad, presumably, the higher the number of newly created foundation that financed global public policy concerns.

Row (3) is used to adjust the distribution of newly created foundations engaged in international giving presented in row (2). This proxy information was used by taking the percentage of new foundations in 1990-1999 as a reference, and then calculating the relative importance of the percentage in each of the other decades vis-à-vis the reference percentage for 1990-1999.²

The final estimates of newly created foundations that finance global public policy concerns, adjusted with the evolution over time of the engagement of U.S. foundations in international giving, is provided in row (4).

² Thus, for 1940-1949, the adjustment factor considered to go from (2) to (4) was $5\%/12.6\%=0.4$, which multiplied by 25 (in row (2)) yields 10 (the estimate in row (4)). Repeating this process for up to 1989 and then subtracting from the total number of foundations in the sample the sum of up to 1989 in row (4), leads to the estimate for 1990-1999

Table 1: Estimating the number of us foundations engaged in international grantmaking by year of their creation

	1940-49	1950-59	1960-69	1970-79	1980-89	1990-99	Total
(1) % of foundations in existence in 2000 that were established in each decade	4%	9%	9%	5%	20%	53%	100%
(2) number of newly created U.S. foundations engaged in international giving based on (1)	25	57	57	32	127	337	636
(3) % of total grants given internationally in each decade	5.0%	5.0%	5.0%	5.0%	8.8%	12.6%	-*
(4) number of newly created U.S. foundations engaged in international giving adjusted with (3)	10	23	23	13	89	479	636

Sources: Foundation Center (2004a, 2004b, 2005).

* Does not sum to 100% because each percentage in this row correspond to the share of total giving in each decade that was granted internationally.

Data Related to Europe Based Foundations

While there is a wide diversity of legal definitions across Europe, according to the OECD (2003, p. 58) about 85,000 foundations can be considered private and autonomous. The number of these foundations that are grantmaking – that is, that are not only operational foundations – varies widely from country to country, from 100% in Britain, to 5% in Switzerland and Spain (OECD 2003). Assuming, to consider an intermediate reasonable figure, that 30% of the total of 85,000 are grantmaking results in about 25,500 autonomous and grantmaking (not only operational) foundations. Given that 40% of European foundations are engaged in international cooperation (OECD 2003, p. 59), the estimated number of European foundations meeting all the criteria that are engaged in financing global public policy concerns reaches 10,200.

But to get a comparable number with the data for the U.S. (which is not based on all, foundations, but only on the largest ones, that is, about 1,000 out of a total of 56,000) we assume large European foundations are in the same proportion and get to a total of 182 sizable foundations in Europe that are engaged in international cooperation.

To get to the distribution of the creation dates for these large foundation engaged in financing global public policy concerns, information from OECD (2003, p. 59) that suggests that 2/3 of the existing foundations were created after 1970 is used. Using this information results in row (1) of table 2, assuming that in each of the three decades up to 1970 the 30% of new foundations were evenly distributed. Assuming, further, that there has been an acceleration in the rate of foundations created in Europe engaged in international giving similar to what is observed in the case of U.S. foundations, the remaining 70% are distributed as follows: 15% in the 1970s, already above the 10% of previous decades; then 20% in the 1980s, to indicate a comparable growth rate to the

previous decade; and then 35% in the last decade. Row (2) indicates the distribution of new foundations in Europe engaged in international giving.

Table 2: Estimating the number of European foundations engaged in international grantmaking by year of their creation

	1940-49	1950-59	1960-69	1970-79	1980-89	1990-99	Total
(1) % of foundations in existence in 2000 that were established in each decade	10%	10%	10%	15%	20%	35%	100%
(2) number of newly created European foundations engaged in international giving	18	18	18	27	36	64	187

Source: OECD (2003).

Consolidated Estimate Based on Data from United States and European Based Foundations

Since foundations in Asia are rarely involved internationally OECD (2003 p. 67) and there is not data available on foundations from other regions (namely the Middle East and Latin America), only data from the U.S. and Europe will be considered. Table 3 presents the final estimates of the number of new foundations created in each decade, after shifting the decades forward five years to make the data compatible with the decades used in the inventory of financing mechanisms.

Table 3: Estimating the number of foundations engaged in international grantmaking by year of their creation

	1945-1955	1956-1965	1966-1975	1976-1985	1986-1995	1996-2005
number of newly created foundations engaged in international giving	28	41	41	40	125	543

II. ESTIMATING THE NUMBER OF INVESTMENT FUNDS

The objective is to obtain a quantitative estimate of the number of investment funds channeling resources towards investments that contribute to addressing international cooperation concerns. These are profit-seeking funds, and invest based on expected returns, different from private corporate social responsibility initiatives whereby firms add to the profit motive other considerations in their decisionmaking.

Funds that are run by public entities such the Prototype Carbon Fund (PCF) or *carboncredits.nl* run by the Dutch export credit agency are not included. Socially

Responsible Investment (SRI) Funds such as Calvert Social Investment Fund do not feature, since their investment strategies add non-economic considerations to the goal of seeking high returns for their investors.

The investment funds considered promise to their investors competitive returns from capital-requiring economies and they deliver social returns that are not only “valuable” to their investors, but also generate social returns. There is much diversity among these investments: from seed capital to emerging market bonds via venture capital and micro-credit portfolio funds.

The quantitative estimate of the evolution of newly created funds is based on a sample. This sample resulted from an effort to identify funds corresponding to the criteria set forth above. While there are lists and compilations of investment funds available, none was identified that meets the strict criteria considered.

For example, the Dutch National Committee for International Cooperation and Sustainable Development has compiled a list of 259 venture capital and private equity funds (NCDO 2005). However, not all of these funds correspond to the criteria set out above, particularly since it was not possible to verify in every case that the funds listed did indeed invest in ventures that contributed to global public goods and global development.

The sample of funds considered is presented in the Annex. It is comprised of 48 funds, but this sample surely does not capture the totality of existing funds, as suggested, for example, by examining the list of clearly relevant funds in NCDO (2005). Assuming that there are at least 50% more funds that were not captured, this yields (rounding) about 75 investment funds for consideration.

The sample shows that no funds were created before 1989, and that about 85% of the funds in the sample were created since 1995. Based on this information, the estimate of the distribution of new funds created is shown in table 4.

Table 4: Estimating the number of investment funds contributing to international cooperation by year of their creation

	...-1985	1986-1995	1996-2005
number of newly created investment funds that contribute to international cooperation concerns	0	11	64

Since the estimates of new equity funds are based on less information than those used to estimate the number of foundations, an effort was made to assess whether unrelated information would broadly support the estimates presented in table 4.

As emphasized above, the investment funds considered are not motivated by corporate social responsibility. Still, it is possible to use the evolution of social responsible

investment (SRI) as a comparator for comparing the estimates made above with developments that may have had parallel evolutions: while the information on SRI is unrelated to the estimates in table 4– since, by construction, SRI was excluded – but it still provides a way of assessing private sector consideration of social returns. The difference is that in SRI these considerations come in addition to economic ones, while in the investment funds estimated in table 4, they result from good business opportunities identified by the funds.

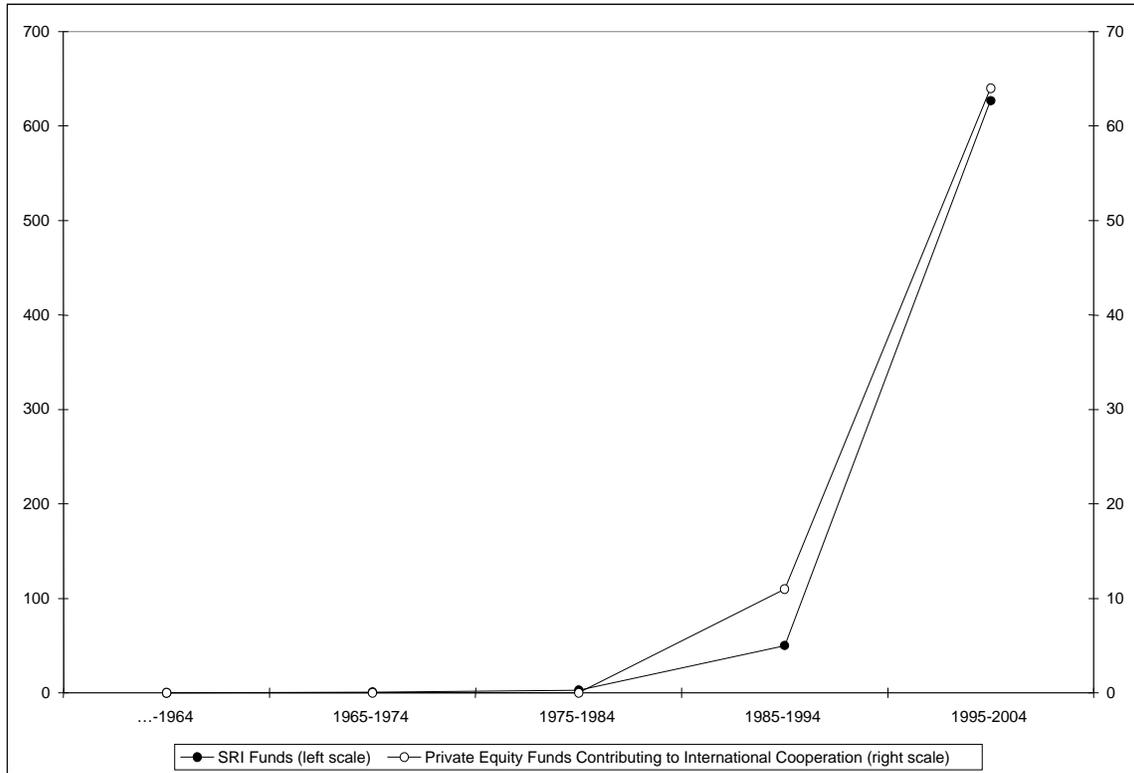
Table 5 shows the evolution of SRI funds taken from recent surveys and from accounts of early SRI efforts. Figure 1 presents the information of tables 4 and 5, showing that the evolution of the estimates of private investment funds for global concerns is in line with the broader SRI trends.

Table 5: Number of SRI funds by year of their creation

Date of establishment	...-1964	1965-1974	1975-1984	1985-1994	1995-2004
number of newly created SRI funds	0	1	3	50	627

Source: www.socialinvest.org.

Figure 1: Comparison of the evolution of SRI funds and of private equity funds contributing to international cooperation



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ANNEX- LIST OF FUNDS IDENTIFIED

	Date Established
1 Global Environment Fund	1989
2 Environmental Enterprise Assistance Fund	1993
3 IDB Multilateral Investment Fund	1993
4 AIG Asian Infrastructure Fund I	1994
5 Alliance Scan East Fund	1994
6 Hivos-Triodos Fund Foundation	1994
7 Triodos - Doen Foundation	1994
8 Advent Private Equity Fund for Latin America I	1996
9 AIG Latin American Infrastructure Fund	1996
10 Advent Private Equity Fund for Central and Eastern Europe	1997
11 AIG Asian Infrastructure Fund II	1997
12 Global Environment Emerging Markets Fund	1997
13 Central and East European Environmental Investment Fund	1998
14 Dexia Microcredit Fund	1998
15 Environmental Investment Partners	1998
16 Procredit Holding AG	1998
17 SEAF Baltics Small Equity Fund	1998
18 Conservation Enterprise Fund	1999
19 AIG African Infrastructure Fund	2000
20 Dexia-Fondelec Energy Efficiency and Emissions Reduction Fund	2000
21 Financial Deepening Challenge Fund	2000
22 New Energies Invest AG	2000
23 Renewable Energy and Energy Efficiency Fund	2000
24 SEAF Central and Eastern Europe Growth Fund	2000
25 SEAF Trans Balkan Fund	2000
26 Solar Development Group	2000
27 Terra Capital Fund	2000
28 Africap	2001
29 Fondelec Latin America Clean Energy Services Fund	2001
30 Advent Private Equity Fund for Latin America II	2002
31 Aureos Capital Central American Fund	2002
32 Darby-BBVA Latin America Private Equity Fund	2002
33 Deutsche Bank Microcredit Development Fund	2002
34 Emerging Africa Infrastructure Fund	2002
35 Islamic Development Bank Infrastructure Fund	2002
36 SEAF Central Asia Small Enterprise Fund	2002
37 Aureos Capital East Africa Fund	2003
38 Aureos Capital Southern Africa Fund	2003
39 Aureos Capital West Africa Fund	2003
40 CleanTech Fund	2003
41 EcoEnterprise Fund	2003
42 Empowerment Through Energy Fund	2003
43 responsAbility Global Microfinance fund	2003
44 Global Asia Clean Energy Fund	2004
45 Triodos Renewable Energy for Development Fund	2004
46 GIC's 21st Century Latin American Fund	2005
47 Latin America Agribusiness Distressed Asset Fund	2005
48 Patient Capital Initiative	2005