

CHAPTER 4:

PRIVATE PHILANTHROPY AND DEVELOPMENT ASSISTANCE

In this chapter, we turn to development assistance for health (DAH) from private channels of assistance. Private contributions to development assistance have rarely been included in most resource tracking efforts. This is primarily because there is no single integrated database for tracking resource flows from all foundations and non-governmental organizations (NGOs) worldwide. Our estimates for their contributions only reflect private foundations and NGOs registered in the US. This approach was not undertaken by choice but by necessity. Although we were able to find data sources for tracking these institutions for the years covered by this study, we found no reliable and comprehensive data sources for tracking their non-US counterparts for those years. Below is our analysis of the role of US-based private foundations and NGOs in channeling DAH to developing countries.

Private foundations

Private foundations are philanthropic entities usually created by a small group of wealthy donors, often from the same family. Unlike charitable foundations and NGOs that seek donations from the public, private foundations rely exclusively on their endowments to make grants. While philanthropy across national borders has more recent origins than local or national philanthropy, it has emerged as an important form of development assistance. Unfortunately, there is no centralized database for tracking development

assistance from foundations worldwide. However, existing studies suggest that US foundations dominate this arena.³²

The Foundation Center compiles a grants database for all the major philanthropic foundations registered in the US. The Center codes these grants by sector and for domestic versus international focus. We used its estimates of global health grant-making by US-based foundations in our tracking exercise. Given the size and importance of the Bill & Melinda Gates Foundation's (BMGF) contributions to global health, we compiled a separate database to track its health grants using the organization's online grants database and tax filings. References to these data sources are provided in the methods annex.

Figure 17 compares gross global health disbursements by BMGF with total giving for global health by other US-based private foundations tracked by the Foundation Center. Since 2000, BMGF's health grants have dwarfed the health contributions of all other US-based foundations combined. This comparison of BMGF and the rest confirms that prior to the arrival of BMGF, the role of private foundations in global health was minimal. The rapid scale-up for BMGF, however, has put private foundations on the global health resource map.

FIGURE 17

Global health disbursements from US-based foundations

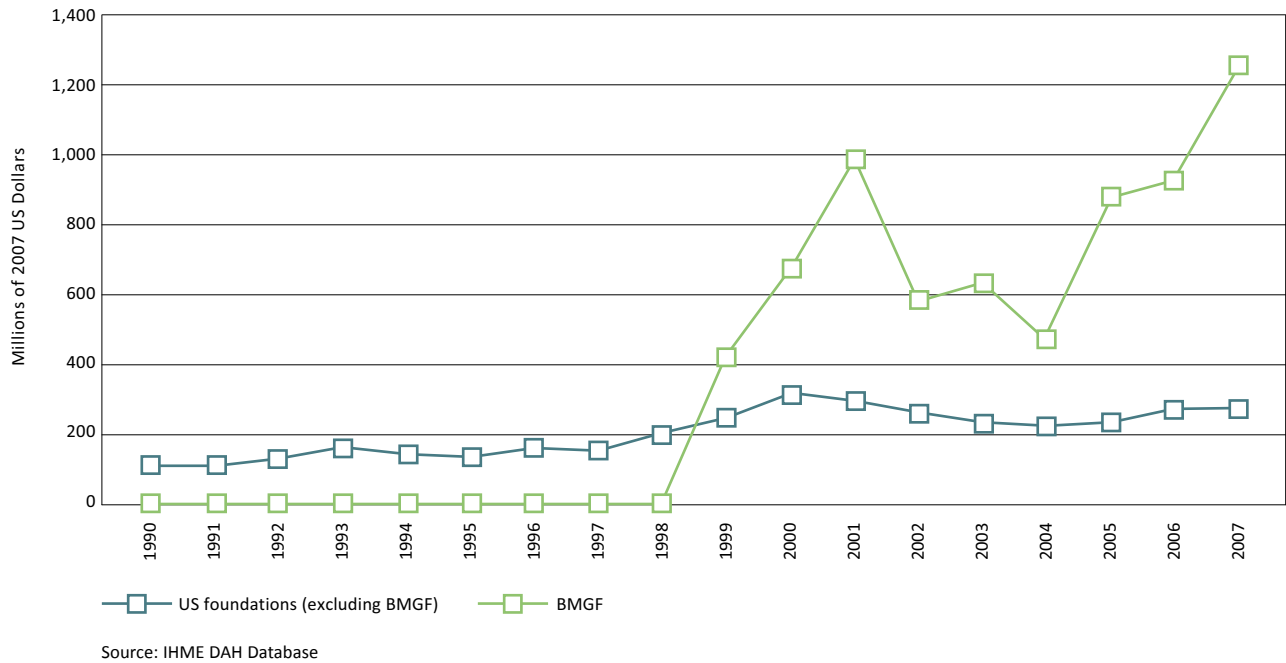


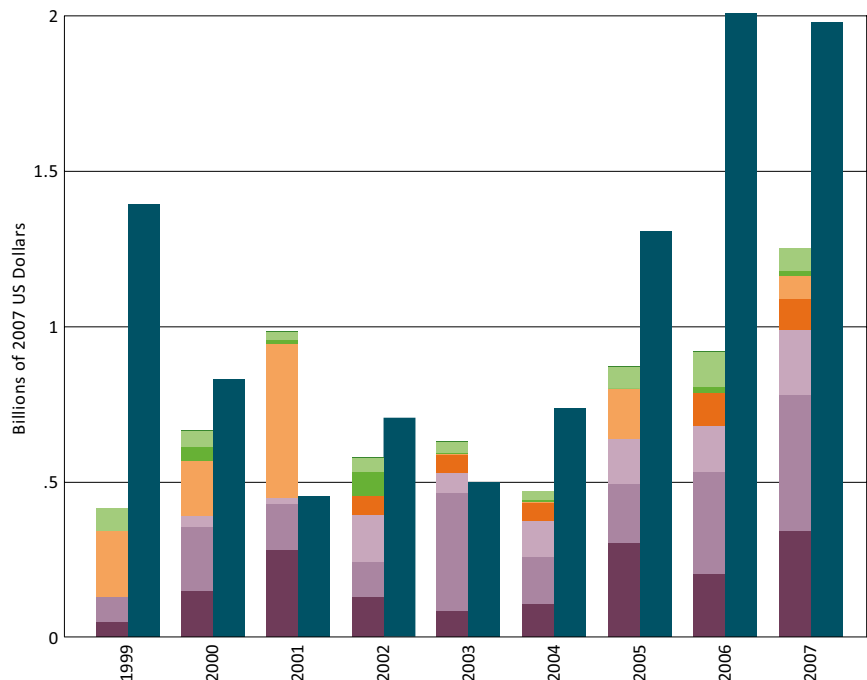
FIGURE 18

BMGF's global health commitments and disbursements from 2000 to 2007

The multicolored bars represent disbursements and the blue bars show commitments. "Universities and research institutions" includes universities, NGOs, foundations, and government institutions in low-, middle-, and high-income countries with a research focus. "Country governments" include all non-research oriented government agencies.

- Country governments
- UN
- WB
- GAVI
- GFATM
- PPPs (excluding GAVI and GFATM)
- Universities & research institutions
- CSOs and corporations
- Commitments

Source: IHME DAH Database of BMGF global health grants



BMGF's disbursements and commitments are shown separately in Figure 18. We coded the recipients of BMGF's grants so as to examine where the funds were flowing. The largest share of BMGF's global health spending has flowed to universities and research institutions for research purposes. It transferred similarly large amounts of funds to public-private initiatives for global health, including the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), the Global Alliance for Vaccines and Immunization (GAVI) and various product-development partnerships. The remaining funds flowed to civil-society organizations (CSOs), including other foundations and NGOs; corporations; and multilateral institutions, including the World Bank and UN agencies.

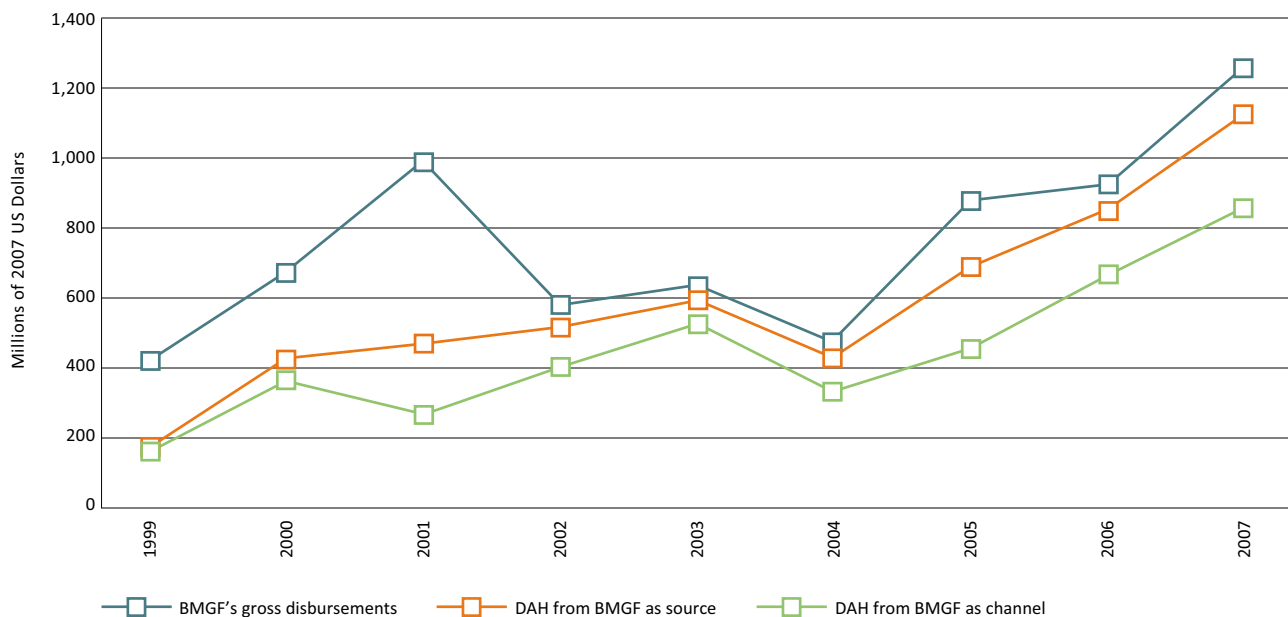
Our estimates of DAH do not reflect the sum total of BMGF's gross disbursements in a year. This is because of the research methodology we adopted, which centers on tracking resource flows from each channel of assistance, net of any transfers made to other channels also tracked in the study. Since BMGF transfers

a large share of its funds to other channels included in the study, we only count what is not transferred to others as BMGF's contribution as a channel of assistance. However, in disaggregating the funding source of all DAH, we attribute to BMGF a fraction of the expenditure by channels that receive BMGF funding. Consequently, the amount corresponding to BMGF as a source includes both what BMGF spends as a channel and that part of other global health contributions from other channels that can be traced back to BMGF contributions. While this amount is much closer to BMGF's gross disbursements, it is not identical. The discrepancy stems from the fact that channels deriving their revenue from BMGF and other sources do not spend every dollar they receive in a year. BMGF's gross disbursements, its disbursements as a channel, and contributions as a source are compared in Figure 19.

Non-governmental organizations

NGOs have been active in delivering social services for well over 160 years.³³ The United Nations (UN) charter recognizes the role of NGOs in facilitating international

FIGURE 19
Comparing BMGF as source and channel



Source: IHME DAH Database

development. Their importance has grown in the last half century, which can be linked to the rollback of the welfare state as well as the rising influence of the private sector.³⁴ NGOs are viewed as being better at serving the interests of marginalized groups and more efficient at delivering services than governments.^{35,36} Hence, they have attracted contributions from private citizens and corporations as well as bilateral donors. Private citizens donate money to NGOs like Save the Children, Catholic Relief Services and PATH, but their contributions, up to this point, have not been captured in time-series studies of global health resource flows.

As is the case with private foundations, there is no central repository of data on the health-related activities of NGOs worldwide. We had greater success in finding information on NGOs registered in the US than for NGOs registered in other donor countries. Consequently, we focused our research primarily on assessing the role of US-based NGOs, though we also report some preliminary estimates for some of the largest non-US NGOs. The United States Agency

for International Development’s (USAID) Report on Voluntary Agencies³⁷ provides annual data on the revenue received by US-based NGOs from different public and private sources as well as their overseas expenditure on development-related programs. The report does not identify the share of expenditure that was for health or any other specific sector. In order to estimate the fraction of overseas programs that were for health, we did additional research on a sample of NGOs drawn from this database. For these NGOs alone, we analyzed their tax filings with the US government and their annual reports to estimate the share of their total overseas expenditure that was for health. We used a statistical model based on this sample to estimate the total volume of international health assistance that US-based NGOs contribute.

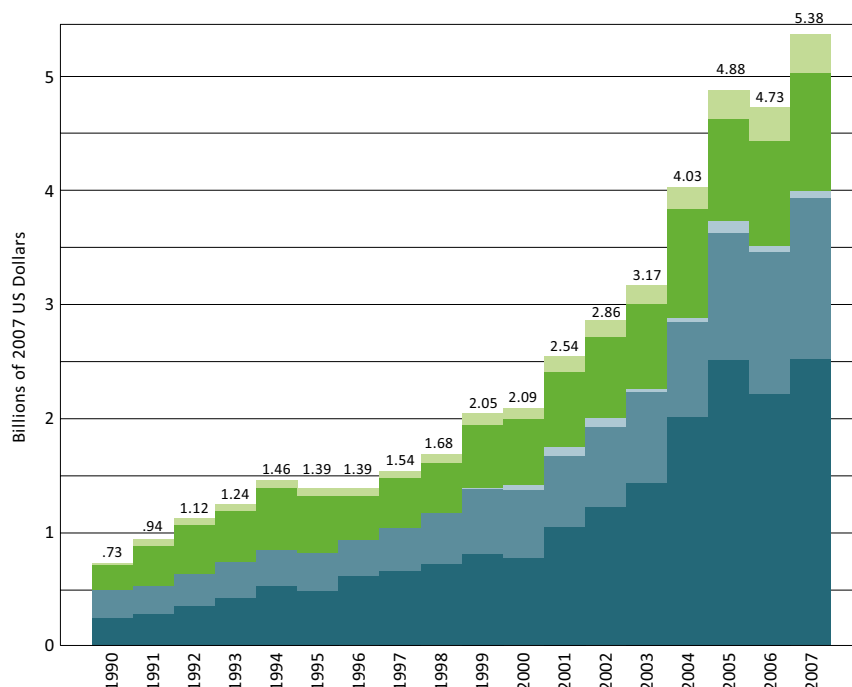
Figure 20 presents our estimates of overseas health expenditure by US-based NGOs from 1990 to 2007. Overseas health expenditure by US-based NGOs has risen steadily since the mid-1990s. These NGOs were responsible for over \$5.2 billion in overseas health

FIGURE 20
Total overseas health expenditure by US NGOs from 1990 to 2007

Total health spending is disaggregated by fractions of revenue received from the US government, other public sources of funding, from BMGF, financial donations from private contributors, and in-kind donations from private contributors. Since revenue and expenditure data for 2007 are not currently available, the overseas health expenditure for 2007 was estimated from annual growth rates in the previous five years.

- Other public
- US public
- BMGF
- Private financial contributions
- Private in-kind donations

Source: IHME NGO Database



expenditure in 2007, up from less than \$1 billion in 1990. The large increases in 2004 and 2005 are likely a reflection of the huge outpouring of support from the global community to address the devastation from the Indian Ocean tsunami in December 2004.

Since NGOs receive contributions from multiple public and private sources, the figure also disaggregates this total expenditure by the fraction of revenue received from different revenue streams. The share of expenditure financed through private revenues is divided into fractions from BMGF, other private financial donations, and in-kind contributions. Private contributions constitute the bulk of NGOs' revenue each year. This includes charitable contributions from individuals and corporations. In-kind donations of drugs and medical supplies from corporations accounted for nearly 50% of revenue in most years. Large US-based pharmaceutical companies are the source of most of these donations. It is worth noting that the drugs and commodities they donate are valued at current market prices. This accounting practice has potentially resulted in an exaggeration of the magnitude of resources flowing via US NGOs relative to their value on the global market, which is further discussed in Box 5.

The other big contributor to US NGOs is the US government. Since 2002, increasing amounts of bilateral aid for health have been flowing to US NGOs. Table 1 lists the top 20 US-based NGOs according to overseas health expenditure. These 20 NGOs alone received nearly \$400 million under the US President's Emergency Plan for AIDS Relief (PEPFAR) from 2004-2006.³⁸ Eight of these top 20 agencies self-identify as religious organizations on their Web sites (Food for the Poor, MAP International, World Vision, Feed the Children, Catholic Medical Mission Board, Medical Teams International, Catholic Relief Services, and Interchurch Medical Assistance.) Their programs span a wide range of activities including supplying donated drugs and medical equipment, implementing prevention

programs, sending medical volunteers to developing countries, training health workers, and working in the area of research and development for new health technologies.

These results reflect the health contributions of US NGOs as well as the US arm of international NGOs. We were unable to track the contributions of NGOs registered and operating from other countries besides the US because data on their income and expenditure was difficult to ascertain. The USAID report on NGOs started including data on some of these NGOs in 1998. We attempted to compile data on the health expenditures of the top 10 non-US NGOs from their financial documents and through direct communication. Getting reliable time-series data before 2000 proved to be extremely difficult for even this small sample of non-US NGOs. While we hope to find data on non-US NGOs in future years, we do not think their exclusion from this study is a source of bias for the following reasons. First, many of the top non-US NGOs have US-based chapters that are registered in the US and with USAID, and are, hence, covered by USAID's data (for example, Save the Children and International Planned Parenthood Federation both have arms registered in the US and receive funds from the US government). Second, the health expenditure numbers that we were able to collect for the top non-US NGOs from 2000 onwards suggest that they still account for a relatively small amount of development assistance in comparison to US-based NGOs; the top eight non-US NGOs (Oxfam, Save the Children, International Planned Parenthood Federation, Christian Aid, German Agro Action, ActionAid, International Union Against Tuberculosis and Lung Disease, and Marie Stopes International) accounted for \$230 million in overseas health expenditure in 2006, while the top eight US-based NGOs accounted for \$1.9 billion in the same year. Table 2 summarizes the data on non-US NGOs that we were able to find.

TABLE 1**NGOs registered in the US with highest cumulative overseas health expenditure from 2002 to 2006**

Data for 2007 have not been released yet. Expenditure is expressed in millions of real 2007 US\$.

Rank	NGO	Overseas health expenditure	Total overseas expenditure	Percent of revenue from private sources	Percent of revenue from in-kind contributions
1	Food For The Poor	1492.3	3137.0	91.0	80.4
2	Population Services International	1250.3	1275.6	10.7	0.1
3	MAP International	1196.8	1210.2	99.8	96.4
4	World Vision	826.1	3150.4	73.5	28.6
5	Brother's Brother Foundation	785.8	1158.6	99.9	99.0
6	Feed The Children	706.9	2044.5	96.9	82.6
7	Catholic Medical Mission Board	699.0	746.6	99.6	93.0
8	Project HOPE	583.6	635.6	89.6	69.2
9	Medical Teams International	568.8	698.8	98.5	89.0
10	Management Sciences for Health	515.5	617.6	11.1	0.0
11	United Nations Foundation	505.9	726.9	86.1	9.6
12	Catholic Relief Services	498.1	2547.9	37.3	2.0
13	Interchurch Medical Assistance	462.6	466.6	89.6	85.6
14	Direct Relief International	431.8	507.1	99.9	91.7
15	PATH	389.5	444.1	92.2	0.0
16	The Carter Center	378.2	472.3	94.1	45.4
17	International Medical Corps	338.7	354.1	52.1	42.8
18	Pathfinder International	269.6	301.0	20.9	0.9
19	Save the Children	229.1	1229.1	48.4	1.9
20	National Cancer Coalition	226.6	242.4	100.0	93.1

TABLE 2**Summary of health expenditure by non-US NGOs from 1998 to 2006**

Data for 2007 are not available yet. Expenditure is expressed in millions of real 2007 US\$.

Year	Number of non-US NGOs in USAID Report	Number of top non-US NGOs for which we found health expenditure data	Health expenditure by top non-US NGOs
Prior to 1998	0	–	–
1998	44	3	–
1999	0	–	–
2000	50	6	145.4
2001	51	7	148.9
2002	58	7	146.4
2003	54	7	198.8
2004	55	9	205.4
2005	59	9	221.8
2006	67	8	231.4

BOX 5

The value of in-kind donations from pharmaceutical companies

From 2000 to 2006, in-kind contributions represented an average of 45% of the revenue received by non-governmental organizations (NGOs). A majority of these in-kind contributions were medicines and medical supplies. Most pharmaceutical companies that donate medicines to US NGOs value their donated drugs at US wholesale prices. In reality, the value of these drugs to developing country recipients may be less than US wholesale prices. For example, GlaxoSmithKline began to value its drug donations at average cost to the company instead of US wholesale prices in 2008, which resulted in a 64% deflation in the total value of their product donations.³⁹ If all pharmaceutical companies followed suit, the estimated value of in-kind overseas health expenditure for US NGOs might be greatly reduced.

The value of donations to recipient communities also may be less due to the mismatch between the drugs and supplies and local health needs. Some of these products also have a short shelf-life. Reich et al.⁴⁰ examined pharmaceutical donations obtained by two major US NGOs for use in three developing countries and found that 10%-42% of the donations were not considered essential medicines by WHO nor by the recipient countries. Moreover, 30% of the donated drugs had time-to-expiry of one year or less. Autier et al.⁴¹ conducted a study to assess the inappropriateness of drug donations in four low- and middle-income countries following armed conflict or natural disasters. Inappropriate drugs were defined as those meeting one or more of the following criteria: 1) did not correspond to the clinical or epidemiological setting; 2) were not included in WHO's list of essential drugs; 3) were labeled in an unfamiliar foreign language or unsorted; 4) were unusable due to damage or spoiling; or 5) had already expired.⁴² The authors discovered substantial evidence of inappropriate donations largely due to the actions of donor governments, small organizations, and local vendors. However, they found no evidence that the pharmaceutical companies themselves were at fault.

Information regarding the types of drugs donated by pharmaceutical companies would help researchers estimate their true value by determining the demand for these drugs in the US and world markets. Pharmaceutical companies, however, tend to guard this information from public scrutiny for fear of criticism. In reviewing the web sites of nine major companies (Merck, GlaxoSmithKline, Pfizer, Johnson & Johnson, AstraZeneca, Wyeth, sanofi-aventis, Novartis, and Bristol Meyers Squibb), we found that only one (Merck) listed the brand names as well as wholesale value of nearly all donated drugs.⁴³ Other companies gave less detailed information on product donations.

US NGOs are equally non-transparent about the drug donations they receive. The top US NGOs listed in Table 1, many of whom received over 69% of their total revenue in the form of in-kind donations, did not include detailed information about the drug names, brand names, and donors of these goods in their publicly available financial documents.