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## Global Charities Face the Recession

**Nonprofit groups focus on meeting basic needs and providing services in the poorest countries**

By Caroline Preston

The recession has prompted many American charities that work overseas to scale back programs, lay off workers, and put expansion plans on hold.

Giving to many groups has fallen by at least 10 percent, with individuals contributing smaller amounts and some foundations committing less money to new projects than they had previously planned. But so far, charity leaders say, one of their biggest fears has not been realized: Only a small number of donors appear to be diverting their donations to domestic causes as they see the effects of the recession playing out in the United States.

"Many people are saying, no matter how bad things are with me, I can only imagine how bad they are for you as a nonprofit and for people in the communities you serve," says Ruth Messinger, president of American Jewish World Service, which supports grass-roots charities abroad. Her group adopted a budget in 2008 that is 10 percent smaller than last year's.

Timothy Ogden, editor in chief of *Philanthropy Action*, a publication about giving to fight poverty overseas, says the recession isn't likely to cut into many forms of international charity the same way it has decimated support for the arts.

As people focus more intently on basic needs, he says, they will give to groups that are meeting those needs, be it at home or abroad.

"People who give internationally will be more likely to allocate more because they'll see the greater needs," he says, whereas "people who don't give internationally are certainly not going to start and are going to use this as more of an excuse not to."

What's more, some groups see potential for gains in government support or in donations from overseas donors.

**Laying Off Employees**

Even though donors are not halting their giving, some charities say the downturn has caused enough of a drop in donations and other revenue that they still must pare programs and reduce the size of their staffs.

Many organizations are seeking to cut costs in ways that do not harm the people they serve. Some of them are giving priority to working in the poorest countries rather than more-stable ones, or emphasizing basic needs over human rights and other forms of assistance.

When Oxfam America trimmed its staff at the end of last year, the charity's leaders tried to keep programs that had the best chance of success. They cut those they felt offered less potential or had already reached most of their goals, such as programs to support small-scale coffee-farming cooperatives in Central America. The group also closed its southern Africa office and sent employees to work from one of its affiliates' offices in the region. Over all, Oxfam America eliminated 9 percent of its jobs.

Catholic Relief Services similarly cut its international work force by about 8 percent, although it avoided layoffs by moving people into open jobs. The group has reduced the size of its programs in East Asia, Eastern Europe, and South America, and has given higher priority to its efforts in Africa, the Middle East, and South Asia, where poverty is even more dire. It is closing some country offices and moving employees to regional "hubs," as well as scaling back some peace-building work.

Other charities that had been expanding at a rapid clip are now putting those plans on hold.

Partners in Health expects to raise about \$8-million more this year than last, but not as much as the roughly \$13-million predicted initially. As a result, the group will not be opening as many health clinics in rural communities in Rwanda and Lesotho this year.

Many charities still anticipate they will have to make even deeper cuts, particularly as multiyear foundation grants run out.

Heifer International conducted some small cost-cutting measures last year, but decided just a few weeks ago, after donations continued to drop, that it would have to lay off employees and take other more-drastic steps. The charity is still determining exactly what cutbacks it will make.

## **Government Aid**

Charity officials say nonprofit programs will remain strong in countries that are of strategic importance to the United States and can win big government grants. Areas hit by natural disasters will probably also still receive strong support from donors, despite the tough economy. But countries such as Liberia, where programs to help the country recover from years of conflict rely heavily on unrestricted contributions from individuals, will be hit hardest, says Samuel A. Worthington, president of Interaction, an umbrella group of international charities.

Mr. Worthington says he is worried that the pullback at relief and development groups is coming just as more Americans want to get involved in overseas causes.

"We're really seeing a recognition that engagement with the developing world is important to us as a society," Mr. Worthington says, particularly among young people. "At the very moment when we should be embracing them and welcoming them, we're shedding jobs and making it all the more difficult for them to find work."

Mr. Worthington says the largest international charities will probably survive the recession, but he worries that smaller charities and informal, spontaneous local efforts — a neighbor who holds an annual walk for a tiny Cambodian charity, for example — may become victims of the bad economy.

His group is leading an effort to discuss mergers and other such collaborations.

"I would anticipate that if this continues for another 12 months, we'll see organizations go out of business and others merge with larger ones," says Mr. Worthington.

That said, some small charities say they are in a relatively strong position. Andrew Klaber, a 27-year-old Harvard graduate student who started Orphans Against AIDS in 2002, says his volunteer-run group hasn't yet seen the effects of the economy. The charity raises between \$100,000 and \$150,000 each year, by selling jewelry made by African women, through events like the Boston Marathon, and from a few corporate sponsors. The Peter C. Alderman Foundation, a mental-health charity started by a New York couple after their son was killed in the 2001 terrorist attacks, is still expanding, just at a slower rate. The charity, which raised about \$450,000 last year, recently hired a new executive director.

Nonprofit organizations are considering whether to pursue more government support, which some see as a bulwark in bad times.

The growth in private philanthropy in the last 15 years has made government support less important for many charities, now accounting for about a third of international groups' support, according to InterAction. But that balance could start to shift slightly, particularly if the Obama administration's aspirations to spend more on foreign assistance are approved by Congress. Spending increases for work in Pakistan and Afghanistan, for example, are expected to win approval. William M. Abrams, president of Trickle Up, says his charity is seeking to replace dwindling corporate support with government grants.

But government support can sometimes create dilemmas for charities, as it often comes with more strings attached than private contributions do.

Some nonprofit officials worry, too, that they will not be able to run their day-to-day operations, no matter how many large, restricted government grants they get, unless they can raise flexible unrestricted money from individuals.

"It puts a lot of pressure on those budgets," says Michael Wiest, executive vice president of charitable giving with Catholic Relief Services. "We may even need to slow down and maintain more of a balance with our private revenue so we're not overwhelmed by continued growth from government grants."

Nonprofit officials are grappling with the message they give to donors. Most say they are emphasizing the toll the global economic crisis is taking on the world's poorest people, while remaining sensitive to many donors' financial unease.

They are also looking at sources of support overseas. Trickle Up, for example, is applying for nonprofit status in India so it can raise money from local donors. Mr. Abrams says he would try to win support from more European donors if he had a larger staff.

There are a few bright spots. The Bill & Melinda Gates Foundation, the largest American nongovernment supporter of international health and development, has said it will increase its giving this year. Mr. Wiest says that Catholic Relief Services has been able to expand its antipoverty work in Africa over the last 18 months because of money from Gates.

Like many fund raisers, Mr. Wiest says he has also been encouraged that about the same number of people are continuing to give to international causes — they are just giving less. If the charities can keep those people giving when the economy picks up, international aid groups could gain significantly.

"When we come out of the other side of the economic downturn, we're encouraged that the revenue streams will be replenished," he says. "That's a bit of good news in this doom and gloom scenario we're dealing with."

<b>FUND RAISING AT INTERNATIONAL CHARITIES: A SAMPLING OF RESULTS</b>	
Catholic Relief Services (Baltimore)	Raised \$170.9-million from private donors last year. Unrestricted donations have dropped 12 percent and total private giving has declined by 13.4 percent in the first six months of the group's fiscal year.
Fistula Foundation (Santa Clara, Calif.)	Raised \$2.1-million in 2008. Expects donations to drop by 15 percent this year.
Heifer International (Little Rock, Ark.)	Raised about \$128-million in the fiscal year ending in June 2008. Donations had dropped by 11.5 percent as of January, and the group anticipates that contributions will continue to decline.
International Rescue Committee (New York)	Raised \$62.5-million in private contributions last year, nearly \$10-million more than it had anticipated. This year's budget is \$54-million, but the group expects to receive about 10 percent less than that amount.
Mercy Corps (Portland, Ore.)	A big grant from the Bill & Melinda Gates Foundation and contributions to the Asian disasters helped the group raise \$49.6-million in private income in the fiscal year that ended in June, a 90-percent increase over 2007. The charity has received a total of \$30.6-million so far this fiscal year, more than its goal of \$29-million for the year. Unrestricted support, however, is down 8 percent so far.
Oxfam America (Boston)	Raised about \$71.5-million last fiscal year, about half of which was unrestricted. Expects unrestricted support to fall by 7 to 12 percent in 2009.
Partners in Health	Raised \$52-million last year, and had initially anticipated raising \$65million

(Boston)	this year. Now the charity expects to raise about \$5-million to \$7-million less than that goal.
Peter C. Alderman Foundation (Bedford, N.Y.)	Raised roughly \$445,000 last year. Expected to raise \$640,000 this year, but now anticipates raising 15 percent less than that.
Trickle Up (New York)	Received about \$4.3-million last year. Expected initially to increase donations by 23 percent this year, but now expects to raise 6 percent more than in 2008.
World Vision (Federal Way, Wash.)	Raised about \$467-million in cash donations from private donors last year. Expects to raise the same sum this year.