

A Closer Look

A U.S. Donor's Guide to International Giving



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In Brief

- **International charitable giving by U.S. donors is on the rise, especially in the midst of global disasters. A growing number of giving approaches, intermediaries, and networks are helping to minimize the cost and complexity of cross-border giving and maximize its impact.**
- **In this *A Closer Look*, we explore a range of global giving options and highlight opportunities to fight the COVID-19 epidemic globally.**
- **Bessemer's philanthropy specialists are available to advise you at any stage in your global giving journey. We can help you develop a giving plan; identify organizations, networks, and intermediaries aligned to your interests; share relevant funding recommendations; and advise on best practices for structuring cross-border gifts.**

U.S. donors, including many Bessemer clients, are giving globally more than ever before. Historically, donors contemplating international gifts have faced barriers ranging from complex tax and legal regulations to steep learning curves. Today, these donors are leveraging a variety of funding approaches and entrusting intermediaries and networks to help minimize the cost and complexity of their philanthropy — and maximize its positive impact on communities globally.

In short, cross-border giving has become increasingly streamlined for donors, especially when they engage an experienced partner, such as a U.S. organization with overseas operations or an intermediary organization pooling donor support for grassroots charitable organizations (often called non-governmental organizations, or NGOs) outside the U.S. Donor collaboration and coordination within the ecosystem of existing philanthropic partners are especially critical to giving effectively during a global crisis.

In this *A Closer Look*, we explore a range of global giving options available to donors.¹ We also share strategies and highlight opportunities to fight the COVID-19 global epidemic.

The Global Giving Landscape: Donor Motivations and Key Issues

U.S.-based donors are increasingly considering countries and causes beyond U.S. borders in their charitable giving. Giving internationally has been rising steadily, and in 2018, giving among U.S. donors to international affairs was one of only two giving areas that saw meaningful growth — up 9.6% for the year at \$22.88 billion. By comparison, U.S. donor giving to staple domestic categories such as religion, education, and health either remained flat or decreased.²

¹ The specific issues and approaches we discuss are based on U.S. tax laws.

² Giving USA 2019 Giving Report

Donor motivations: Why are more U.S. donors considering giving globally? A large portion of philanthropic giving abroad has historically supported issues and organizations that donors have a personal connection to. Perhaps there are lasting and meaningful ties to an organization abroad or memorable travel experiences to a specific country or region. Also, as U.S. dollars can go further in low- and middle-income countries, the opportunity for a scaled impact serves as a motivator for many donors to direct philanthropic dollars internationally. Furthermore, many donors feel a growing sense of global social responsibility and seek to learn more about the interconnectedness of global social, economic, and environmental issues. Increasingly, these donors observe that challenges that may start off affecting one group, such as epidemics and environmental issues, can quickly expand to impact people regardless of location.

Despite their aspirations for giving, new donors face a complex and perhaps overwhelming web of issue areas and endless acronyms when tackling global philanthropy. While donors considering giving internationally may initially feel intimidated when looking to the work of big global funders, such as Bill and Melinda Gates and Ford Foundation, individual donors and families play a critical role in the international philanthropy funding landscape. Donors who give internationally often act quickly to address urgent needs, provide more flexibility to the organizations they fund, look for collaborative funds to facilitate giving, and are more willing to take risks. This fast, flexible, and experimental capital is often a much-needed and differentiated source of support for critical global initiatives.

Key issues: Much international giving has been spurred in response to global crises. For many U.S. donors, responding to a crisis may inspire their first act of giving abroad or encourage them to increase the scope and amount of their current global giving. This year alone has seen its share of sudden-onset and complex emergencies, such as the devastating bushfires in Australia, an ongoing refugee and humanitarian crisis in Venezuela, a resurgence of Ebola, and the rapid spread of a new coronavirus across the world.

As donors direct their international giving, many choose a specific region of the world to focus their philanthropy or organize their giving around a specific issue area. For those

who take an issue-based approach to their international giving, the [United Nations Sustainable Development Goals \(SDGs\)](#) offer a useful framework. Established by 190 world leaders, the SDGs act as a roadmap for countries, philanthropies, and even donor families to understand the most pressing global needs amid the backdrop of disaster.

The Many Ways to Give Internationally

Historically, U.S. donors contemplating international gifts have had to contend with complex tax and legal regulations. Today, some of the complexity remains unavoidable; for instance, direct gifts from individuals to non-U.S. charities still don't receive a tax deduction, and intermediaries are still not legally bound to make gifts to donor-designated charities. Regulations related to anti-terrorism and anti-money laundering added important safeguards for donors, but they also made cross-border giving even more challenging.

Also, while the institutional funding landscape for international giving was developed and increasingly networked, individuals and families were not connected to these opportunities and faced limited options for learning and engaging with peers on the topics important to them. However, now an ecosystem of reliable resources and simple-to-use international giving options for donors has emerged. Below, we discuss the most common cross-border giving approaches and considerations for each.

Option 1: Give to U.S.-registered public charities with a global scope. A common and straightforward method of giving globally is directing funds to an IRS-recognized 501(c)(3) nonprofit organization addressing the challenges you are focused on, in the geographies you care about. Since you are giving to a public charity registered in the U.S., such donations are deductible for U.S. income tax purposes. A vast array of U.S. public charities have a global mission. Some operate their own programs abroad, while others partner with local charities deeply embedded in a particular region.

Supporting public charities with a global scope can be a useful approach for families who wish to support a broad set of global issues or focus on a single issue. The most effective options are highly experienced, networked, and knowledgeable about the issues, geographies, and

approaches they support. Typically, these organizations have administrative operations in the U.S. and can provide opportunities for like-minded U.S. donors to convene and learn. This is also a common approach for U.S. donors who are seeking rapid deployment of their gifts in the wake of a disaster. Donors who choose this approach should consider providing flexible general operating support and sustained funding to these trusted partners, allowing them to meet the evolving needs of the communities they serve over the many phases of a crisis.

Option 2: Give through a U.S.-registered funding intermediary. The simplest type of intermediaries are U.S.-registered “friends of” entities of international organizations. “Friends of” organizations are domestic 501(c)(3) public charities that raise funds in the U.S. and distribute them to a specific charity abroad with which they are connected. Since they are registered U.S. charities, gifts to “friends of” entities are deductible for U.S. tax purposes; that said, these organizations are often tied to a single established cultural or educational institution, such as a major university or private hospital, and only a few hundred of them have been established.

Other types of funding intermediaries are much more numerous and offer greater donor flexibility. These funding intermediaries are master matchmakers and complex grant facilitators. They identify, monitor, and evaluate grassroots NGOs working on the ground in various geographies and on various issues. While the NGOs they identify and vet for donors are respected and trusted actors in their local communities, they are not registered charitable entities in the U.S. Therefore, the intermediary — which is a registered U.S. entity, thereby enabling U.S. donors to receive an income tax deduction — takes on the responsibilities and risk of engaging these NGOs on behalf of donors. Donors tend to work with funding intermediaries when they 1) have a specific overseas NGO they are seeking to support, or 2) want to support community-based organizations that are not registered in the U.S. In the next column are steps intermediaries take to facilitate gifts globally.

By partnering with intermediaries, U.S. donors avoid the significant administrative, legal, and tax hurdles, and country-specific requirements that arise when making grants to such entities. And it's not just individuals and families who opt to work with funding intermediaries;

Steps Required for Intermediaries Giving Globally

Step 1

Donor makes a gift to the U.S.-based funding intermediary and may recommend that the gift be allocated to a specific NGO. The gift is tax deductible since the intermediary is an IRS-approved 501(c)(3) charity.

Step 2

The intermediary conducts IRS-required financial, programmatic, and operational due diligence on the NGO(s). This can take four to eight weeks on average. (“Friends of” intermediaries do not need to complete this step.)

Step 3

Once the due diligence is complete, the intermediary can facilitate delivery of the gift to the NGO abroad.

Step 4

The intermediary takes on the future responsibility of monitoring the NGO's use of funds and impact of the gift.

large, well-established private and corporate foundations often partner with funding intermediaries for more seamless international grantmaking as well.

There are many types of funding intermediaries. Many focus on a specific global issue, geographic area, or funding approach. Also, they often have a presence both in the U.S. and on the ground in various geographies and credible international networks to structure gifts to trustworthy and effective organizations. In addition to facilitating funding, many intermediaries also provide capacity-building support to NGOs. This can take the form of coaching and training focused on leadership development, fundraising, governance, and collaboration, among other practices. Specific examples of intermediaries are shared on page 6.

Understandably, intermediaries generally charge donors a fee or come with added administrative overhead expenses. Some base their fee on a percentage of the donor's desired grant amount. Given the costs and

complexity, larger sized gifts tend to be more worthwhile for donors, intermediaries, and the NGOs, which may face country-specific legal and administrative hurdles to receive gifts. Funding intermediaries take on considerable risk and responsibility when facilitating grants on behalf of donors. Below are considerations for donor discussions with intermediaries:

Considerations to Discuss With Intermediaries

Feasibility

If there is an overseas NGO you wish to support, consult the appropriate intermediary about its funding history with the NGO and any red flags. Some funding intermediaries offer free and searchable databases online that make it easy for donors to learn what giving has been done and to which NGOs. If the NGO has been funded by an intermediary before, new donors may benefit from a streamlined grant process.

Grant Size and Structure

Intermediaries can help to determine an appropriate grant size for an NGO given the cost of living, scale of operations, and more. Also, it can be simpler for donors to commit to multiyear giving to avoid creating additional hurdles for themselves and grantees later.

Fees

Costs should be expected given the risks and responsibility intermediaries take on in facilitating grants. Seek transparency upfront on how fees will be assessed for one-time grants and multiyear grants. If an intermediary has funded the NGO before, there may be cost savings.

Timeline

Grants through an intermediary can rarely be made immediately due to IRS due-diligence requirements and the intermediary's grant cycles. Ask for an estimate of how long it could take the NGO to receive your gift. Most often, gifts can take four to eight weeks, but this can vary.

Reporting and Education

Intermediaries often provide impact reports on how grant funds are spent. Since one NGO may receive grants from multiple donors, consider asking the intermediary what reporting timeline and format you can expect. Also, many intermediaries make efforts to connect like-minded donors through educational offerings. If this is a priority for you, ask how you can engage further with the organization.

Other Giving Options

Most often, donors employ a combination of the first two giving approaches described above. Additional options are described in brief below.

Give through a donor-advised fund (DAF)

equipped to give internationally. Many DAFs, especially those housed within U.S.-based community foundations, focus their giving in local U.S. communities and do not offer options for facilitating gifts abroad. Bessemer Trust's donor-advised fund program, Bessemer Giving Fund, does permit international grantmaking. For donors who already have a DAF, check with your DAF provider about the process to make international gifts. Bear in mind that there are usually added fees.

Give directly to an NGO abroad. We do not recommend going it alone without first seeking appropriate counsel from legal and tax professionals. Beyond the fact that direct gifts to NGOs abroad receive no charitable income tax deduction, direct giving is subject to numerous regulations — from the U.S. government and the government of the receiving organization.

U.S. registered private foundations that focus a significant amount on giving abroad and wish to give directly to local NGOs can seek expert counsel to establish an ongoing, sound, and legal process for international giving. Foundations considering this approach typically have adequate staff capacity, in-house expertise in global giving, and resources for the added legal expenses. For direct giving to organizations not recognized as public charities by the IRS, the IRS requires a foundation to conduct one of two determinations: equivalency determination or expenditure responsibility. Both approaches involve a complex set of requirements and rules. They are briefly described on page 5.

The Determinations Needed for Direct Giving Outside the U.S.

Key Takeaway: The requirements for gifts to international organizations not recognized as public charities by the IRS can be extensive and complex. These requirements apply only to private foundations and donor-advised funds.

Equivalency Determination (ED)

- ED establishes whether the NGO a foundation wishes to support is equivalent to a U.S. public charity. The process involves obtaining detailed descriptions of the organization's activities, financial records, governing documents, establishing documents, board members, key employees, and more. All documents must be submitted to the IRS in English, so translation services could be necessary.
- NGOSource has emerged as a cost-effective alternative for private foundations. NGOSource does all the legwork and legal and other paperwork for a fixed fee. It also maintains a repository of NGOs globally that have passed the standards and are able to receive grants from private foundations.

Expenditure Responsibility (ER)

- For charitable organizations unlikely to pass an ED review, ER can be an alternative. But it still requires careful documentation and involvement of a legal professional. ER consists of several steps: 1) a pre-grant inquiry to ensure the intended recipient's ability to fulfill the charitable purpose of the grant; 2) a written grant agreement defining how the funds will be used; and 3) annual reports from the recipient describing how the funds were used.
- Even many mega-foundations work with an external intermediary and outside counsel to facilitate international giving and do not conduct expenditure responsibility on their own.

Enhance Your Learning: Philanthropy Networks for International Donors

Whether you consider yourself a new donor contemplating giving across borders, a longstanding global giver, or anything in between, approaching international issues may feel daunting. Increasingly, individual donors are joining together to learn from experts and experienced peers about how to have greater impact through giving across philanthropy topics, and global giving is no different. Clients are finding networks where they can get smart on the issues in the geographies they care about most and collaborate with like-minded philanthropists. A number of networks exist where donors can deepen their learning on global issues. Some networks even offer collaborative funding vehicles for donors.

These donor collaboratives can support individual donors and family foundations on their international giving. Specific examples of donor networks are shared on page 6.

International Giving Can Be Simpler When Working With Experienced Partners

During a global crisis, it is even more vital for U.S. donors seeking to give beyond their borders to work with experienced partners, such as multinational U.S. registered public charities, funding intermediaries, and learning networks. These groups can help you to research and identify NGOs, make meaningful grants, and understand the impact of your giving.

On the subsequent pages, we include examples of intermediaries and learning networks discussed. We also include a special briefing for U.S. donors focused on addressing COVID-19 globally with recommended multinational U.S. public charity partners you can support.

If you're interested in international giving, Bessemer's philanthropic advisory specialists are available to assist you in developing a giving approach that works for you. We can help you explore your giving goals and options, answer your questions, point you to reliable philanthropy resources, and identify suitable partners.

Examples of Funding Intermediaries by Type

Geography Focus

- **Charities Aid Foundation of America** facilitates giving across most geographies.
- **Give2Asia** facilitates giving across Asia.
- **King Baudouin Foundation United States** facilitates gifts to Europe and Africa.
- **The Resource Foundation** facilitates giving across the Caribbean and Latin America.

Issue Focus

- **Global Fund for Women, Vital Voices Global Partnership, and Women Strong International** support a global community of organizations working with women and girls.
- **The Fund for Global Human Rights** supports NGOs that serve people enduring extreme poverty.
- **The Global Fund for Children and EMpower** support grassroots NGOs serving youth around the globe.
- **Global Greengrants Fund** supports grassroots environmental NGOs in developing regions.
- **Population Services International (PSI)** supports quality healthcare programs.

Funding Approach Focus

- **Acumen** makes impact investments in for-profit companies that serve developing countries.
- **Kiva** matches donors with opportunities to make microloans to entrepreneurs across the world.
- **Impact Assets** connects donors to a rotating offering of private impact funds aligned with the U.N. Sustainable Development Goal framework.

Examples of Global Donor Networks by Area of Focus

Geography

- **Hispanics in Philanthropy** brings together donors seeking to address issues impacting communities in the U.S., Latin America, and the Caribbean.
- **Africa Grantmakers Affinity Group** hosts regular workshops and conversations connecting Africa-focused philanthropists.

Issue Area

- **Women Moving Millions** supports philanthropists focused on the advancement of women and girls.
- **Human Rights Funders Network** supports donors and foundations of all levels focused on addressing global inequality.
- **Environmental Grantmakers Association** provides opportunities for learning, connection, and collaboration for its member foundations across the globe.

Funding Approach

- **Co-Impact** takes a systems-change approach to supporting groundbreaking initiatives addressing social challenges at scale.
- **Confluence Philanthropy** is a membership network of foundations and individual donors practicing sustainable investing and seeking to align global giving goals and investment capital.
- **Audacious Project** is backed by major philanthropies and is supporting donors in sourcing and vetting big ideas to respond to the COVID-19 crisis globally.

Donor Stage

- **The Philanthropy Workshop** supports individuals, couples, and family philanthropies at an inflection point in their giving and committed to deep learning and collaboration.
- **NEXUS Global** is a network of philanthropists, impact investors, and social entrepreneurs and changemakers in their 20s and 30s.

Special Briefing: International Giving to Address COVID-19

To date, more than 8.4 million confirmed cases of COVID-19 have been confirmed globally,³ and the impact on vulnerable populations is deepening. As with other crises, COVID-19 puts several communities under deeper threat. However, unlike other recent disasters where donor response has focused on providing immediate relief in the wake of disaster, donors in the U.S. are approaching their COVID-19 response with a longer-term focus from the onset. There is a growing shift in donor dynamics and their partner organizations. Donors are moving away from strict requirements and regular assessments toward greater trust, flexibility, and longevity in grantee relationships. These practices can also be seen among international givers, who are providing multiyear, unrestricted contributions to the global opportunities they care about. The broader global giving landscape is poised to meet this moment, as there has never been a more robust ecosystem of expert partners that donors can rely on to help focus and advance their global giving goals.

Global Response

How are NGOs and global funders responding? Charities Aid Fund, a global intermediary organization, recently surveyed 544 NGOs across 93 countries. Despite the overwhelming challenges — including government-imposed restrictions, decreased donor engagement opportunities and funding, and increasing operational costs — 90% of NGOs reported that they are still continuing to serve their communities. These NGOs are mobilizing to fill glaring gaps in government support and brace for the immediate challenges the pandemic presents while educating donors on strategies to address the underlying inequities that threaten long-term resilience.

Longstanding global funders recognize that COVID-19 threatens to set back years of progress in communities globally if both immediate and sustained actions are not taken. The World Health Organization, United Nations Foundation, and the Swiss Philanthropy Foundation launched the first-of-its-kind **COVID-19 Solidarity Response Fund**. This has provided a straightforward way for private donors, corporations, and institutions everywhere to pool resources to support the World Health Organization's efforts to tackle COVID-19 across 150 countries, especially those with underresourced health systems. Individuals and organizations around the world have contributed over \$220 million to the fund. The U.S. government has responded as well, with Congress appropriating more than \$2 billion in emergency funding to address COVID-19 in low- and middle-income countries and the U.S. State Department and USAID providing resources to a growing list of countries.

Institutional philanthropies, such as Kaiser Family Foundation and Open Society Foundations, are committing to deeper investments to COVID-19 research, relief, and recovery globally. In sum, U.S.-based philanthropies account for more than half of the \$11.4 billion in COVID-19 philanthropic funding,⁴ much of which has been directed to organizations that work both in the U.S. and abroad. Also, a robust network of intermediaries has developed COVID-19-specific funds by issue, geography, and funding approach. Funds are pooling donor resources to support giving across multiple phases of the pandemic.

For U.S. donors looking to make a scaled long-term impact on the COVID-19 crisis, supporting vulnerable geographies globally through international giving will continue to be an important strategy.

Opportunities for U.S. Donors to Support Global Communities During Coronavirus

As the effects of the COVID-19 pandemic spread across the developing world, expert philanthropies are supporting global organizations that already have built a trust and a presence in communities worldwide. Below are recommendations for U.S. donors endeavoring to take on salient global issues, protect the geographies important to them, and employ high-impact approaches during COVID-19.

Intermediaries and Networks

Several intermediaries have launched funds linking donors to trusted NGO partners addressing COVID-19 across issues, geographies, and funding approaches. Give2Asia is supporting at-risk communities in 23 countries across Asia-Pacific. The Global Fund for Women is increasing its Crisis Fund grantmaking and focusing on response, recovery, and resilience. Acumen Fund has established COVID-19 relief funds to help ensure that low-income people in remote areas across 18 countries can access essential products and services.

In addition, donor learning networks are tailoring new programming to equip both new and practiced international donors with the knowledge and relationships to advance their giving goals and fight the pandemic. The Philanthropy Workshop, for instance, is hosting issue-focused webinars and engaging global development experts to support its community of philanthropists in taking action. The other intermediaries and networks described later in this guide are also offering COVID-19-specific funding and learning opportunities for donors.

³ World Health Organization

⁴ <https://candid.org/explore-issues/coronavirus>

U.S. Registered Public Charities Fighting COVID-19 Globally

Here is how some global challenges are intensified by this crisis and recommended organizations donors can support in combatting these issues.⁵



1. No Poverty

Early evidence indicates that the health and economic impacts of the virus are being borne disproportionately by poor people. More than 700 million people around the world currently live in extreme poverty and are struggling even more to meet basic needs.

GiveDirectly and **CARE** are using innovative tools, such as unconditional cash transfer programs, to help those living in poverty.



2. Zero Hunger

The coronavirus pandemic is likely to double the number of people facing acute hunger, from 135 million people in 2019 to about 265 million people by the end of 2020.

The Hunger Project and **Action Against Hunger** are working to provide greater food security to those lacking access.



3. Good Health and Well-Being

Underresourced health systems in already struggling economies leave populations especially vulnerable. Healthcare workers and caregivers in low- and middle-income countries face significant and repeated exposure to infection and mental health consequences.

Partners in Health, **Doctors Without Borders**, and **Direct Relief** are providing medical supplies and protective equipment to health workers and making care available for the most vulnerable.



4. Quality Education

Roughly 1.25 billion learners, or approximately 73% of total enrolled learners, worldwide, have been affected by the coronavirus outbreak. Children in rural areas who cannot do distance learning face learning loss and other risks.

UNICEF, **Catholic Relief Services**, and **Save the Children** are helping children facing greater risks of learning loss, child labor, and abuse.



5. Gender Equality

Women and girls globally fill more roles relating to basic needs, like food and water, that are harder to meet during a pandemic, and they experience less job security, health benefits, social equity, and education access.

International Women's Health Coalition (IWHC) and **Women in Informal Employment Globalizing and Organizing (WIEGO)** are providing vital support for women workers.



6. Clean Water and Sanitation

One of the most effective ways to slow virus transmission is to wash or sanitize hands. However, globally, three billion people do not have access to even basic hand washing facilities at home.

Water Aid, **Water for People**, and **Water.org** are working urgently to provide facilities and promote handwashing and hygiene.

Source: United Nations

⁵ United Nations

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