



## **Global Philanthropy is growing, but remittances and investment rule**

Little is written about remittances to developing countries. Remittances are not charitable - they are typically flows of funds from a person or family in Canada to a person or family abroad for private benefit and they would not be considered charitable as there is no public benefit. Consequently they are not receiptable.

The US Hudson Institute's Center for Global Prosperity (<http://gpr.hudson.org/>) has recently released an 82 page report on global philanthropy called the "Index of Global Philanthropy 2007". While the report makes for interesting reading I will try to briefly summarize some of the important information and comparisons related to Canada.

US private assistance to developing countries in 2005 was \$95 billion, of which a staggering \$61 billion was in individual remittances. The remittances dwarf the other areas of giving namely foundations (\$2B), corporations (\$5B), private and voluntary organization (\$16B), universities and colleges (\$4B), and religious organizations (\$5B).

The report also discusses US 'total economic engagement', being \$192 billion, with the US official development assistance being \$27 billion and the US private capital flows being \$69 billion. These numbers illustrate the important point that donors and charities some times ignore – namely, that far more money flows to developing countries by virtue of remittances and private investment than by philanthropy.

On page 32 of the report it is noted that Canada is the third largest country in terms of remittances at \$6.3 billion, after the US at \$61 billion and the UK at \$6.6 billion. Canada is even slightly ahead of Japan. Perhaps not surprisingly, the largest beneficiary of Canadian remittances is China. The impact of these flows of funds could be far greater than anything that the charitable sector is able to raise and use on programs.

Remittances and private capital flows provide two very important issues for fundraising now and in the future.

First, it makes sense to consider some focus on groups of immigrants that are involved with remittances. If you were to have a large number of people from a particular area pool their efforts and, instead of providing funds to their own families for personal needs, provide the funds to a charity who would use the funds for projects that are charitable, broad-based and beneficial to the larger community, it would be more tax effective and also far more strategic in benefiting those abroad.

It would be better to have a world in which remittances were not needed. After all, remittances are often very inefficient and the person sending the funds does not fully understand all of the costs they are paying, including exchange rate costs and costs on the receiving end. Although remittances can be very positive in the short term for a family, there is a concern that they can undermine initiative and increase dependence. As well, some academics have expressed concern that up to 90% of remittances typically are spent on consumption as opposed to investments such as education.

Secondly, companies in Canada and elsewhere are increasingly interested in philanthropy and corporate social responsibility. As their foreign investments are substantial and growing they are also cognizant of their profile and reputation in foreign countries and they are often interested in partnering with reputable charities to help the people of those countries and build their own reputations. Take, for example, Barrick Gold's partnership with World Vision in Peru. In some cases the partnership is based on attaining general goodwill. In other cases, some governments of developing countries, for example South Africa and its broad-based economic empowerment policy, require that companies investing in certain sectors demonstrate the benefits to the larger community.

It is not surprising perhaps that, as pointed out in the report, if US corporations were to be considered a 'country', when the Tsunami hit, they gave more funds than the governments of Canada and China and would have ranked fifth amongst governments.

*Mark Blumberg is a non-profit, charity and estate planning lawyer in Toronto with the law firm of Blumberg Segal LLP and he can be reached at [mark@blumbergs.ca](mailto:mark@blumbergs.ca) or at 416-361-1982 x. 237.*

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