

Donor Logic in the Era of Gates, Buffett, and Soros

Gita Steiner-Khamsi
Teachers College, Columbia University

Ten years ago, when I was invited to comment on the inspiring article “Too Close for Comfort? The Impact of Official Aid on Nongovernmental Organizations” (Edwards & Hulme, 1996), I was perhaps too preoccupied with criticizing how and why international NGOs transplant their educational programs from one continent to another with little input from local organizations and experts. Readers of *Current Issues in Comparative Education* commented on how harsh I had been with NGOs. However, had the topic of the special issue been, “Are development banks overrated? or “Are UN organizations overrated?”, I would have come to the same conclusions. There is an organizational logic to transferring the same kind of programs to every corner of the world. NGOs are not alone in transferring prepackage programs or reforms. All international organizations do so for all kinds of good and bad reasons, such as, for example, saving on design costs, generating institutional name recognition, obtaining approval from their own boards, as well as for better monitoring and controlling of their staff in distant field offices.

Dissecting Donor Logic

Today, I would propose to also analyze the institutional rationale behind grants or loans, and examine how donor logic differs for the various agencies. Alesina and Dollar’s study on *Who Gives Aid to Whom and Why* (Alesina & Dollar, 2000) revived this line of research. Six years later, Dollar and Levin (2006) investigated a related question: who deserves aid from the perspective of donors? In the 2000 study, Alesina and Dollar present a multivariate analysis of donor strategy, which considers trade openness, democracy, civil liberties, colonial status, direct foreign investment, initial income, and population of the target countries. Their analyses are not restricted to U.S. government loans and grants, but rather include all rich countries that provide Official Development Assistance (ODA). They find that former colonial empires (in particular, Portugal, United Kingdom, France, Australia, and Belgium) spend more than half of their external aid on their former colonies. From 1970 to 1994, Portugal channeled 97 percent of its aid to its former colonies. In comparison, the United Kingdom allocated 78 percent, France 57 percent, Australia 56 percent, and Belgium 54 percent of their external funding to former colonies. Another variable, being a “U.N. friend”, also proved important for donors’ selection of target countries. The variable measures whether the target country has voted in line with the donor at U.N. conferences. In the past decade, for example, Japan directed funds to poor countries in return for a vote on admitting Japan as additional member of the U.N. Security Council. The authors (Alesina & Dollar, 2000, p. 40) also calculate the likelihood of a country receiving aid if relevant variables, such as initial income of the country or population size, are held constant. Their findings illustrate the high funding priority of the United States for its allies in the Middle East. All other factors kept constant, Egypt received 481 percent more aid, and the value for Israel is so high that it is basically off the scale. In general, the two features that are – despite political rhetoric suggesting the contrary – least important for receiving aid are “being relatively open” (towards international trade) and “being relatively democratic”.

The close tie between foreign policy and bilateral aid, a truism in the field of international relations theory, is well substantiated with statistical evidence put forward by Alesina and Dollar (2000). But what is the donor logic for the others: the multilaterals (the development banks and the UN organizations) and the non-governmental organizations? It is important to credit efforts in

international and comparative education for this line of research. There is an established research tradition within our field, started by Brian Holmes (1981), to dissect, what I call, “donor logic.” Written during the era of the Cold War in 1981, Holmes found that, regardless of circumstances, British and American experts almost always favored the introduction of a decentralized system of educational administrators, whereas Soviet and German Democratic Republic experts always recommended the introduction of polytechnical education in countries they advised.

In my own study on educational import in Mongolia, I made a first attempt to dissect the various “logics” of donors that were operating in the country (Steiner-Khamsi & Stolpe, 2006). That attempt was followed by a second one, in which Iveta Silova and I analyzed the NGO logic, in particular, the Soros Foundation Network in the Caucasus, Central Asia, and Mongolia (Silova & Steiner-Khamsi, 2008). The first study on educational reform in Mongolia reveals that each and every international organization with offices in Ulaanbaatar has its own country assistance strategy (Steiner-Khamsi & Stolpe, 2006). What they fund reflects, more often than not, organizational logic rather than local needs. Whereas the donor logic of the Asian Development Bank and the World Bank is finance-driven, the logic of bilateral aid agencies is self-serving in a different way. The bilateral agencies of the German and Danish governments – Gesellschaft für technische Zusammenarbeit (GTZ) and Danish International Development Assistance (DANIDA) – selectively export “best practices” from their own educational systems that are supposedly missing or underrepresented in Mongolia. For example, German consultants have felt compelled – not only in Mongolia but also in many other countries – to contribute to vocational education. Meanwhile, Danish experts focus on small schools and students with special needs. Once the Americans got involved under the auspices of the Millennium Development Fund, their specialists emphasized English language and ICT reform in Mongolia. The decision of what to support in the Mongolian educational sector is driven more by what the lender has to offer than by what the borrower actually needs.

There has been a gentleman’s agreement among development banks in Mongolia that has softened over the past three years. Until 2004, the World Bank took the lead, with the support of UNDP and many other donors, in poverty alleviation and other social sector programs. Meanwhile, it stayed away from educational reform, because the Asian Development Bank was recognized as the “lead donor” in the educational sector.

Asian donors, particularly the Japanese International Cooperation Agency (JICA) and the Korea International Cooperation Agency (KOICA), are infrastructure and resource oriented (“hard-type” aid), but have not yet become involved in “soft-type” aid, such as the reform of content or methods in education. Both have shipped technical equipment for radio, TV, and video-conferencing studios, as well as computers (some of which are second-hand) to educational institutions.

In contrast to the donor logic of multilaterals and bilaterals, which constitutes a well-explored research terrain of international relations as well as of international and comparative education, it is worthwhile to note that there are fewer studies on philanthropies and aid. The studies by Robert Arnove (1980) and Ellen Lagemann (1989) are classics in this field. Arguably, more recent studies on NGOs subsume philanthropies (e.g., Sutton & Arnove, 2004; Silova & Steiner-Khamsi, 2008), but some of the authors fail to distinguish between philanthropies, typically established by individual businessmen, and not-for-profit organizations such as, for example, Save the Children, World Vision, or Academy of Educational Development.

The New Donors

The edited volume *How NGOs React* (Silova & Steiner-Khamsi, 2008) can be seen as a first contribution to fill this gap. It examines not only the NGO logic in general, but specifically the logic of the Soros Foundation Network in the Caucasus, Central Asia, and Mongolia. Written by former and current educational experts of the Soros philanthropy, the authors investigate “the post-socialist reform package” at the country-level, highlighting the common features such as decentralization, privatization, vouchers, and liberalization of the textbook publishing market. They look at the global reforms and their variations as they were transferred to Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan over the past decade. One of the key findings of the book relates to a key feature of the “new philanthropies” as reflected in the Soros Foundation Network: organizations with a limited lifespan pursue an entirely different sustainability strategy than organizations that were established to outlive the founder. Similar to the Bill and Melinda Gates Foundation, George Soros’ foundation insists that it will cease to exist in a few years. Of course, whether the closure will really occur remains to be seen. Nevertheless, the belief in the usefulness of funding projects only for a short term has huge repercussions on the daily work as well as on the interactions with governments, donors, and other non-governmental organizations in the respective countries. The Open Society Institute, in particular, places a great emphasis on carefully planning, from the onset, “spin-off” and exit strategies for every major new program that it launches. The book *How NGOs React* is ideally suited to examine the repercussions for sustainability strategies as it focuses on a region (Caucasus, Central Asia, and Mongolia) that at the time was considered a latecomer to the Soros Foundation Network, compared to Central, Eastern, and Southeast Europe. By the time these national foundations started operating (especially in Mongolia and Tajikistan), other offices in Europe had already gradually spun off their educational programs to newly founded national non-governmental organizations or had completely closed down.[1]

Sustainability strategies are closely tied to the logic of the donor in every institution. Philanthropies that are set up with a limited time-span tend to scale up their impact differently. The educational programs of the Open Society Institute, for example, prioritize institutionalization over any other sustainability strategy. This is how it works: a national foundation incubates an innovative practice in an area that is neglected by the government in the hope that the complementary project will, as soon as possible, become incorporated in state institutions and inscribed in educational policy. In practice this means that the national foundation initiates, designs, and monitors a project that, upon successful completion of the pilot stage, is to be implemented on a large scale. Preferably, it will be funded by the government or, if this is not possible, by other donors. Naturally, tensions do emerge with other international organizations, especially larger ones that also attempt to exert influence on national policy-making. How donor logic impacts the cooperation of donor organizations with governments as well as with other international organizations is a topic that deserves much more scrutiny.

Cosmopolites of Aid

Another feature of the philanthropies is that they are not accountable to anybody or anything other than to their self-nominated board. They do not have to report to governments or multilaterals, and they do not need to, but of course can, comply with international agreements such as Education for All (EFA) or the Millennium Development Goals (MDG). One might argue that philanthropies are the last glimmer of hope for aid, given that governments closely tie their loans and grants to foreign policy goals, multilaterals make their assistance contingent on specific conditions (i.e. structural adjustment, poverty alleviation, and/or good governance), and international agreements such as EFA and MDG are biased in their exclusive focus on primary

school. Not being part of the “cartel of good intentions” (Easterly, 2002) can be beneficial for individuals and institutions that receive funding from philanthropies, which have the potential to fill the void left behind in international and bilateral agreements.

The last few years has seen an unprecedented growth and diversification of funding sources for international projects. At the end of 2006, the Bill and Melinda Gates Foundation had endowment assets for charitable activities in the amount of \$33 billion (Gates Foundation, 2006). Set up from the income of two men only – Bill Gates and Warren Buffett – the Foundation plans to disburse \$3.2 billion a year by 2009. This amount equals one-third of the \$9.8 billion that the US government with a population of over 300 million taxpayers thought it could afford for USAID in fiscal year 2006. The volume of aid provided by the newly emerging philanthropies, such as the Gates Foundation, is – with the exception of the Official Development Assistance (ODA) of the United States, Japan, United Kingdom, France, Germany, and Sweden – greater than the ODA of any other rich government that provides loans and grants (OECD, 2007). It also exceeds by a multiple the donations of earlier philanthropists, ranging from the Rockefeller Foundation (endowment of \$3.4 billion) established in 1913, to the Open Society Institute, established by George Soros in 1979 with an average annual giving of \$400 million. Arguably, the magnitude of endowments of newly established philanthropies reflects the widening gap between the rich and the poor, whereby the rich have become exponentially rich.

The influence of individuals or businessmen on aid priorities, entirely detached from governments’ foreign policy priorities, are not only manifested in philanthropies. It has become fashionable for stars and other public figures to donate money to people they consider to be “the neediest”, especially if the media covers their donations with much glamour and fanfare (see *Vanity Fair*, 2007). The willingness to donate has also trickled down to the individual consumer. Arguably, the glamorization of aid goes hand in hand with the commercialization of aid. (Product) Red, licensed to American Express, Apple, Converse, Emporio Armani, Gap, Hallmark, and Motorola, is another example of the for-profit world getting involved in charity. By the end of 2007, however, the dollar amount spent on publicity for Red still outnumbered the donations made for the “Global Fund to Fight AIDS, Tuberculosis and Malaria and to raise public awareness about HIV/AIDS in Africa” (Global Fund, 2007). These are but a few examples to illustrate the emergence as well as successes and shortcomings of a new class of donors.

A few of these new donors do follow the script of development targets established by the Millennium Development Goals. But these rule-abiding donors constitute a minority. The UN Millennium Villages project, managed by the Earth Institute at Columbia University and directed by Professor Jeffrey Sachs, is such an exception in that it does commit itself to the MDGs. It constitutes a public-private partnership and includes sponsors such as UNDP, philanthropies (e.g., most recently, George Soros’ pledge of \$50 million), and celebrities like Bono, Madonna, Brad Pitt, and Angelina Jolie. Strikingly, these new types of donations are almost exclusively channeled into health and to a smaller extent into education projects in Africa. Finally, although perhaps a unique feature of U.S. foreign policy only, we are also witnessing a militarization of aid, where humanitarian aid and economic development in conflict zones is carried out by the military.[2]

These new donors see themselves – of course, with the exception of the military – as cosmopolites representing global capital and a global community rather than their governments. Different from the conventional bilateral and multilateral donors, they do not have to make compromises to appease their voters, constituents, shareholders, or an elected general assembly. They are run-

away donors. The flipside of not reporting to the Cartel of Good Intentions is that they give as they please with little regard for the heated debates in development work. Some of the cosmopolites' giving is not only ineffective but also harmful for development. But since they are operating in an accountability vacuum, they are exempt from professional and academic scrutiny. This is not the case for governments and their bilateral and multilateral agencies, who are in a position of having to continuously re-invent themselves and are pressed to reflect on their mistakes of the past.

A review of academic journals in international and comparative education, but also of journals that pay great attention to NGO research (for example, *World Development*), shows that the new donors have not yet become an object of professional interest and academic curiosity. Ten years after the inaugural issue of CICE, we are exposed to a completely changed aid environment, especially with regards to non-governmental organization, not-for-profit organizations, and philanthropies. Aid has bifurcated in two directions: rule-abiding and rule-enforcing multilaterals (most visible in the EFA-Fast Track Initiative), and unruly and yet very generous private funders.

Notes

- [1]. A side-comment is necessary here: in retrospect, the national foundations in the Caucasus, Central Asia, and Mongolia were not latecomers, but somewhere in the middle-field given that the Open Society Institute has gone global, and now operates in Africa, the Caribbean and Latin America, and Southeast Asia.
- [2]. Two funds of US overseas loans and grants, in particular, reflect the blurred line between military and humanitarian assistance: The Economic Support Fund (\$3.8 billion in 2006) managed by USAID and the State Department, and the Department of Defense Security Assistance fund (\$4.7 billion in 2006). The Greenbook *U.S. Overseas Loans and Grants* provides a more detailed description of how these funds are used (U.S. Government, 2006).

References

- Alesina, A., & Dollar, D. (2000). Who gives foreign aid to whom and why? *Journal of Economic Growth*, 5(1), 33-63.
- Arnove, R. F. (Ed.). (1980). *Philanthropy and cultural imperialism: The foundations at home and abroad*. Boston, MA: G. K. Hall.
- Bill and Melinda Gates Foundation (2006). *Annual report*. Retrieved from <http://www.gatesfoundation.org/nr/public/media/annualreports/annualreport06>.
- Dollar, D., & Levin, V. (2006). The increasing selectivity of foreign aid, 1984-2003. *World Development*, 34(12), 2034-2046.
- Edwards, M., & D. Hulme. (1998). Too close for comfort? The impact of official aid on nongovernmental organizations. *Current Issues in Comparative Education* 1(1), 6-28. Available at <http://www.tc.edu/cice>.
- Easterly, W. (2002). The cartel of good intention. *Foreign Policy* 131, 40-49.
- GlobalFund (2007). *(Product) red. Investing in our future*. The Global Fund to Fight AIDS, Tuberculosis and Malaria. Retrieved from <http://www.theglobalfund.org/en/partners/private/red>.

Holmes, B. (1981). *Comparative education: Some considerations of method*. London: George Allen and Unwin.

Lagemann, E. C. (1989). *The politics of knowledge: The Carnegie Corporation, philanthropy, and public policy*. Middletown, CT: Wesleyan University Press.

OECD (2007). *2007 Development co-operation report*. Paris: OECD, DAC.

Steiner-Khamsi, G., & Stolpe, I. (2006). *Educational import in Mongolia: Local encounters with global forces*. New York: Palgrave Macmillan.

Silova, I., & Steiner-Khamsi, G., (Eds.). (2008). *How NGOs react: Globalization and education reform in the Caucasus, Central Asia and Mongolia*. Bloomfield, CT: Kumarian.

Sutton, M., & Arnove, R. F., eds. (2004). *Civil society or shadow state? State/NGO relations in education*. Greenwich, CT: Information Age Publisher.

U.S. Government (2006). *U.S. Overseas Loans and Grants: Obligations and loan authorizations July 1, 1945-September 30, 2006*. Retrieved from <http://quesdb.usaid.gov/gbk/About.html>.

Vanity Fair (2007, July). *Africa. A special issue*. New York: Condé Nast.