

Understanding private donors in international development

Brian Pratt, John Hailey, Michela Gallo, Rebecca Shadwick, and Rachel Hayman, July 2012

The landscape of donor funding for international development appears to be changing significantly. Support from official donors has come under pressure, in large part because of the global financial crisis; at the same time, new official donors are emerging. Some countries are experiencing sustained growth, leading to changes in the support that they receive both from official donors and from NGOs. Within this changing landscape, private philanthropic donors are playing an increasingly important role, working on international development issues through a range of mechanisms: as direct operators, in partnership with governments, and with international NGOs and civil society organisations as grant-givers and partners. We anticipate that this trend will expand, with NGOs and civil society organisations finding themselves working more and more with private philanthropic foundations and trusts. Yet there is limited knowledge amongst many NGOs about philanthropic funding in international development, and we are only just beginning to see a surge of interest in expanding understanding of philanthropic foundations amongst development scholars and practitioners. It may seem that traditional international development actors and private donors inhabit two separate and different worlds in their approach and language; however, it is clear that there is much common ground.

This paper provides an introduction to private donors' engagement in international development, particularly philanthropic foundations. It describes the scale of foundations and their importance to the field of development aid. It then examines some of the common perceptions and misperceptions about private donors, the challenges faced by NGOs when working with such grantors and the opportunities. By bringing some of these issues to the fore, this paper aims to lay the groundwork for future research into an area of sparse formal evidence, and for better collaborative work between NGOs and foundations.

1. Introduction

Private giving has always been an important source of financing for international development, and in fact pre-dates public funding for international development.¹ Many well-known NGOs trace their origins to private individuals wishing to give money to an array of charitable causes domestically and worldwide. However, there are some key differences between the strategies and priorities of private philanthropic donors, and the values and policies of non-profit, non-governmental organisations. Understanding these differences is critical to effective cooperation, collaboration and partnership.

The body of literature concerning foundations, particularly their involvement in international development, is relatively recent. This report draws heavily on reports and articles published in the last four years, particularly the 2008 Global Public Policy Institute (GPPI) report

¹ OECD (2003) 'Philanthropic Foundations and Development Co-operation', *DAC Journal* 2003 4(3), Paris, France: OECD Publications.

'Transforming Development? The Role of Philanthropic Foundations in International Development Cooperation'; the 2012 Nuffield Foundation's 'Global Grant-Making: A Review of the UK Foundations' Funding for International Development', and the report from the United Kingdom House of Commons International Development Committee on 'Private Foundations' in 2012. Mention must also be made of the work of the New York-based Foundation Center, the European Foundation Centre (EFC) and the various publications of the Bellagio Initiative into the Future of Philanthropy and Development. The reflections in this briefing paper also draw on insights from the work of INTRAC, its associates, and partners with private foundations.²

2. Who are private philanthropic donors?

Initially, many NGOs relied on support from individual gift giving, personal donations and child sponsorship, but over the last three decades or so, NGO income came increasingly from official governmental donors using tax-based funding – for example, the Danish International Development Agency (DANIDA), the UK's Department for International Development (DFID), the Swedish International Development Cooperation Agency (SIDA), the Canadian International Development Agency (CIDA), or the US Agency for International Development (USAID). However, in recent years there has been growth in new or alternative ways of generating funding and new sources of financial support for NGOs, including:

- **Web-based personal giving**, including: web-based fund channelling sites, e.g. Guidestar, Razoo, GivingWhatWeCan, GivingWell; or investment channelling sites (kiva.org)
- **Income-generating activities**, such as tied-trading businesses (e.g. Oxfam Trading, BRAC Bank), commissions and contracts (e.g. Technoserve), or new franchising-based social enterprises (e.g. the Kenyan-based Sidai)
- **Community initiatives**, e.g. the new range of Community Development Foundations, or local funding through twinning or partnering arrangements
- **Trusts** born of public fundraising, but privately administered, e.g. Comic Relief, UK Big Lottery
- **Private philanthropic donors** giving through an increasingly diverse range of family foundations and social investment initiatives, including established foundations (Ford or Rockefeller Foundations) or new philanthropic ventures such as those run by Absolute Return for Kids (ARK), Atlantic Philanthropies or the Children's Investment Fund Foundation (CIFF).³

Of the wide array of actors that can be characterised as private philanthropic donors, this paper focuses on the role of different philanthropic foundations, including individual or family foundations, corporate foundations (the philanthropic 'wings' of companies, banks, etc.), community foundations and private associations. The following section provides an overview of definitions of such foundations found in the literature, and offers a working definition of 'private philanthropic donors'.

A recent UK House of Commons report distinguishes 'private foundations' from charities or charitable foundations, as they do not generally seek out funding from the general public, companies or government. Foundations, it states, are usually a legal entity established by an individual or group for philanthropic purposes. They therefore define foundations as "*non governmental, non-profit organisations that possess a principal fund of their own and are self*

² As much of this work is undertaken in confidence, we have often not made reference to specific foundations, their benefactors or programmes.

³ Hailey, J. (2011a) 'Notes on New Private Donors: Foundations and NGOs', presented at the INTRAC NGO Forum, Oxford, UK, 24–25 May 2011.

*managed by a board of trustees.*⁴ The Nuffield Foundation's commissioned 2012 study on 'Global Grant Making' identified foundations and trusts, as "*independent grantmaking charities, whose income derives mainly from private sources*".⁵ The 2011 study commissioned by Global Institutional Philanthropy for the Worldwide Initiatives for Grantmaker Support (WINGS) and The Philanthropic Initiative (TPI) categorised philanthropic foundations into independent, corporate and community foundations (including multi-purpose fundraising organisations set up to serve particular sectors), and government-linked foundations.⁶ This paper highlighted the point that public sector funding to foundations needed to be distinguished from philanthropic donations from *private* donors, and that remittances from diaspora populations constitutes a form of private action for development.⁷

Foundations can be categorised in several ways, for instance by sector or geographic origin, by age or generation, by size or scale (e.g. size of endowment, assets or annual giving), by source of funding (e.g. endowment vs. corporate profits) or by approach and level of engagement (e.g. funding support/grantmaker or venture philanthropy/funding).⁸ The use of these different categories, while making comparative studies problematic, allows researchers and grantees to develop a working typology of value to their own needs or priorities.⁹ It should also be noted that definitions and approaches to categorisation vary depending on different legal and regulatory regimes and the cultural context in which the foundation is established. For example, as Tadros notes, any understanding of the role of Islamic philanthropy and foundations registered in Muslim countries "*requires a shift from examining the phenomenon through the lens of Western philanthropic trajectories to one recognising the role of philanthropy in a much wider and broader conception of the division of labour and the organisation of the Muslim Ummah (nation)*".¹⁰

The European Foundation Centre (EFC) accepts that definitions of 'foundation' vary across Europe and so focuses on the role of what they call 'public-benefit foundations', which it defines as being "*asset-based and purpose-driven ... have no members or shareholders and are separately-constituted non-profit bodies ... [and] have an established and reliable income source ...*".¹¹ The US-based Foundation Center recognises the diversity of foundational types, and so defines foundations by whether they are independent (families, individuals, and health-care conversions), corporate (funded through profit or proportion of turnover), or community foundations (which are based on collective funding drawn from a broad pool of linked-individual donors).¹²

⁴ The International Development Committee (2012a) 'Private Foundations – Thirteenth Report of Session 2010–12; Volume I: Report, together with formal minutes, oral and written evidence', London, UK: House of Commons: Ev55

⁵ Pharoah, C. and L. Bryant (2012) 'Global Grant-making: A Review of UK Foundations' Funding for International Development', London, UK: Nuffield Foundation: 9

⁶ Johnson, P. D. (2011) 'Global Institutional Philanthropy: A Preliminary Status Report', Boston, MA, USA: The Philanthropic initiative (TPI), and Brussels, Belgium: Worldwide Initiatives for Grantmaker Support (WINGS).

⁷ Davis, K. E. and S. Dadush (2010) 'The Privatization of Development Assistance: Symposium Overview', New York, USA: New York University Law and Economics Working Papers, Paper 218.

⁸ IVAR (2011) 'Beyond Money: A Study of Funding Plus in the UK', London, UK: Institute of Voluntary Action Research.

⁹ Hailey 2011a

¹⁰ Tadros, M. (2011) 'Islamic Philanthropy and Wellbeing', Bellagio Briefing Summary, IDS, Sussex, UK: Bellagio Initiative.

¹¹ EFC (2008) 'Foundations in the European Union, Facts and Figures: Report on work by EFC Research Task Force', Brussels, Belgium: European Foundation Centre: 3

¹² Foundation Center (2011) 'Highlights of Foundation Yearbook, 2011 Edition', Foundations Today series, New York: Foundation Center; Lawrence, S. and R. Mukai (2011) 'Foundation Growth and Giving Estimates, Current Outlook, 2011 Edition', *Foundations Today* series, New York, NY, USA: Foundation Center.

Drawing on these definitions, and others, some common characteristics emerge.¹³ For the purposes of this paper, private philanthropic foundations can be characterised by having:

- charitable or philanthropic intentions, usually to address issues of common social, economic or geographic interest
- founders with charitable or social intentions, e.g. individuals, families, companies, communities, specialist interest groups or associations
- their own income and funds, which are privately raised, in other words not through public sector grants
- a public benefit role – either as grantors funding other organisations, or being directly operational, i.e. implementing their own projects or in collaboration or partnership with others
- a philanthropic legal status, e.g. as a trust or not-for-profit organisation
- independent governance structures (boards, trustees, etc.).

3. Private donor involvement in international development

The economic crisis that erupted in 2008 and the consequent pressure on government budgets have had significant consequences for aid funding, particularly government-funded official development assistance (ODA). This has led aid organisations to seek out alternative funding, and the role of private donors in aid funding has consequently increased in importance. Many private foundations have their own long-established presence in the international development field, e.g. the Ford Foundation or the Wellcome Trust; whilst some are more recent, e.g. the Bill and Melinda Gates Foundation or the Sigrid Rausing Trust. However, it is clear that most foundations and private philanthropic donors focus on giving at a local or national level, and that only a limited proportion of total philanthropic giving goes to international development.¹⁴ This section provides some information on the financial giving of those foundations involved in such international development.

The research suggests that much of the money from such private philanthropic donors is channelled through NGOs rather than government or multilateral agencies.¹⁵ However, it is difficult to know exactly how much money is going to what, from whom and through whom; it is hard to access aggregate funding data to get an overview of the level of funding by private philanthropic donors for international development. Analysis of such data is complicated because of the variety of definitions used (i.e. because of legal and cultural differences as to what is a foundation – in some cases these include government-funded foundations), and the different economic contexts in which they operate. It is clear that more research is needed in this area and more comparative analysis of the level of funding to NGOs from private philanthropic donors and foundations.

¹³ See also: Resource Alliance (2011) 'Philanthropy: Current Context and Future Outlook', Bellagio Report, IDS, Sussex, UK: Bellagio Initiative; Marten, R. and J. M. Witte (2008) 'Transforming Development? The Role of Philanthropic Foundations in International Development Cooperation', GPPi Research Paper Series No. 10, Berlin, Germany: Global Public Policy Institute (GPPI); EFC (2005) 'Foundation Facts and Figures Across the EU – Associating Private Wealth for Public Benefit', Brussels, Belgium: European Foundation Centre; OECD 2003

¹⁴ Sulla, O. (2006) 'Philanthropic Foundations, Actual versus Potential Role in International Development Assistance', note for the Global Development Finance Report, Washington, DC, US: World Bank Development Prospects Group (DECPG) IFT, The World Bank.

¹⁵ Stoianova, V. (2012) 'Private Funding: An Emerging Trend in Humanitarian Donorship', Briefing Paper, Wells, UK: Global Humanitarian Assistance Development Initiatives.

3.1. US foundations

US foundations dominate the global foundations' stage, financially, with foundations such as the Gates, Ford, and Rockefeller Foundations possessing the largest assets.¹⁶ In the USA, there were over 76,500 grantmaking foundations in 2009; 90% of these are categorised as independent. Nearly two-thirds of the active larger foundations have been established in the past two decades. The assets of active US foundations rose to US\$618.1 billion in 2010, and foundation giving was US\$45.7 billion that year: independent foundations gave US\$32.5 billion, corporate foundations US\$4.7 billion, and community foundations US\$4.1 billion.¹⁷

The top ten foundations in the USA by giving include family foundations like the Bill and Melinda Gates Foundation, the Susan Thompson Buffett Foundation, the Walton Family Foundation, and the Gordon and Betty Moore Foundation.¹⁸ Others in the top ten are corporate foundations like the AstraZeneca Foundation, the Ford Foundation, the GlaxoSmithKline Patient Access Programs Foundation, and the Johnson and Johnson Patient Assistance Foundation.¹⁹

The proportion of giving from US foundations to international development has increased compared to the late 1990s. This is partly due to the growth in international giving from the Gates Foundation, and an increase in the assets of the Gordon and Betty Moore Foundation, as well as a general rise in giving from foundations for international humanitarian disasters. US foundations invest about 20–25% of their spending directly with partners in developing countries. Recent evidence suggests they struggle to find suitable partners in least developed countries, therefore around 45% of US grant giving goes to emerging developing countries like China, India, South Africa or Brazil. Another 20% goes to global programmes like the Global Fund, a Geneva-based multilateral fund to fight HIV/AIDS, tuberculosis and malaria. As a consequence remaining funds are spread unevenly around the world in programmes in least developed countries.²⁰

A 2010 report by the US Foundation Center predicts that international grantmaking by US foundations will remain high or even increase as a proportion of all US foundation grantmaking. As a share of overall giving, international grant dollars increased from 5% in 1982 to 25% in 2008 (US\$7 billion). US foundations lost over 17% of their assets in the 2008 recession, and their giving dropped by 8.4% in 2009; however, the 2008 levels of international giving were record-high, and the 2009 reduction in giving was not as sharp as might have been expected. The evidence suggests that international giving is becoming more prominent, and that a growing number of relatively small and new foundations in the USA are now engaging in international giving.

It is estimated that two-thirds of the international giving by US-based foundations goes through other US-based organisations, rather than overseas or locally-based organisations. Of the funds that go to non-US organisations, most (49% in 2008) of this funding goes to Western European organisations or their regional programmes. Of international giving, health and international development accounted for over half the funds granted in 2008 – for example, 30% of the Gates Foundation's international funding went on health-related projects or programmes.²¹

¹⁶ The International Development Committee 2012a

¹⁷ Lawrence and Mukai 2011

¹⁸ Pharoah, C. and C. Keidan (2011) 'Family Foundation Giving Trends 2011', Centre for Charitable Giving and Philanthropy, London, UK: Cass Business School, City University.

¹⁹ Lawrence and Mukai 2011

²⁰ Marten and Witte 2008

²¹ Lawrence, S. and R. Mukai (2010) 'International Grantmaking Update: A Snapshot of U.S. Foundation Trends', New York, USA: Foundation Center.

3.2. UK foundations

Private foundations in the UK are more diverse, in size and type, than foundations in the USA.²² There are an estimated 8,800 trusts and foundations in the UK, the top 500 of which spent approximately £3.1 billion in grantmaking in 2009-10,²³ up from £2.73 billion in 2004-05.²⁴ In the UK, foundations currently spend an estimated £292 million on international development (just under half of what the Department for International Development (DFID) spends through NGOs), but they appear to focus a higher proportion of their funding on NGOs and civil society organisations generally than government aid funding does.²⁵

It is estimated that 5% of total foundation funding from the UK is spent internationally.²⁶ There is some evidence that those foundations whose funding is on a relatively smaller scale, between £50,000–£1 million annually, may spend up to 100% of their total giving internationally, and are less likely to work in collaboration with other donors; and that most UK foundations focus on their role as grantors, with only a few being directly operational.²⁷

The UK's top grantmaking foundations for international development, in order of international development grants, are:

1. The Wellcome Trust (£59 million, 2009–10)
2. Comic Relief (£41.08 million, 2009–10)
3. The Children's Investment Fund Foundation UK (£22 million, 2009–10)
4. The Big Lottery Fund (£14.4 million, 2009–10)
5. Absolute Return for Kids (£10.05 million, 2009–10)
6. Sigrid Rausing Trust (£9.12 million, 2009)
7. Sainsbury Family Charitable Trusts (£7.39 million, 2009–10)
8. Khodorkovsky Foundation (£1.71 million, 2009)
9. Shell Foundation (£6.21 million, 2009)
10. Elton John AIDS Foundation UK (£5.5 million, 2009)²⁸

In 2009–10, 37% of international funding (of the ninety UK foundations spending over £50,000 on international development for that period) went to Africa and 23% to Asia.²⁹ The most popular sectoral areas for funding were health care and education, while children and youth were the most popular targeted beneficiary groups, followed by women and families, and people with health, disability and special needs.³⁰

3.3. European foundations

Foundations in Europe have been slower in growth and smaller in size than those in the USA, primarily due to the economic disruption caused by the World Wars. The different legal status and types makes it difficult to compare private foundations across Europe, however

²² The International Development Committee 2012a

²³ Pharoah and Bryant 2012

²⁴ ACF and CAF (2007) 'Grantmaking by UK Trusts and Charities', London and West Malling, UK: Association of Charitable Foundations and Charities Aid Foundation.

²⁵ ACF and CAF 2007; The International Development Committee (2012b) 'Private Foundations – Thirteenth Report of Session 2010–12; Volume II: Additional written evidence', London, UK: House of Commons.

²⁶ ACF and CAF 2007 – see also Pharoah and Bryant 2012

²⁷ De Las Casa, L. and C. Fiennes (2007) 'A Review of International Development Funding by UK Trusts and Foundations', London, UK: New Philanthropy Capital.

²⁸ Pharoah and Bryant 2012

²⁹ Pharoah and Bryant 2012

³⁰ Pharoah and Bryant 2012

their main areas of focus are social services, education, and health.³¹ Philanthropy in Europe has grown significantly in the last two decades, and the new European Foundation Statute has made it easier for foundations to work more effectively across EU member states.³²

The expansion of foundation numbers in Europe has been rapid in the last 15 years, with an estimated half of foundations in nine of the EU countries founded in 2006–08.³³ Estimates of the total number of foundations in the EU (including family, corporate, community and governmentally-supported foundations) suggest that there were in excess of 200,000 registered ‘foundations’ in 1999 – though more rigorous definitions of independent private foundations suggest the number is only 62,000.³⁴ More recent data suggest that in 2008, there were some 273,000 organisations labelled foundations in 24 EU states, and 95,000–110,000 of these could be considered ‘public benefit’ foundations. This is a significant increase on earlier projections.

One sample of 55,552 foundations across 15 European countries estimated a combined asset value of €237 billion, averaging €4 million per foundation. Of the top 50 foundations by assets in 13 EU countries, the largest concentrations are in Italy (39%) and the UK (34%).³⁵ 2011 estimates put European foundation assets at €1,000 billion, and spending at €153 billion.³⁶ Major European foundations by annual expenditure in 2008-09 were:

1. Wellcome Trust (UK) €949 million (2008-09)
2. Atlantic Philanthropies (Ireland) €588 million (2008)
3. La Caixa Foundation (Spain) €550 million (2008)
4. Aga Khan Development Network (Switzerland) €450 million (2008)
5. Fondazione Monte dei Paschi di Siena (Italy) €387.6 million (2008)
6. Fundacion Caja Madrid and Obra Social Caja Madrid (Spain) €278 million (2008)
7. Fundacion Jimenez Diaz (Spain) €246.2 million (2009)
8. Compagnia di San Paolo (Italy) €170.9 million (2009)
9. Volkswagen Stiftung (Germany) €116.4 million (2009)
10. Fundacao Calouste Gulbenkian (Portugal) €115.2 million (2008)³⁷

Estimates put total EU foundations’ expenditure on international development at US\$607 million in 2005, going to 126 countries, although only a relatively small proportion were considered least developed countries. The majority of this funding was focused on health and education.³⁸ EFC research suggests that the great majority of European foundations were focused on funding local or national projects or organisations, and that there was limited interest in funding international development work. European foundation funding for international development is very difficult to define and there is a lack of rigorous comparative data. For example, a 2010 questionnaire sent by Gallup and the EFC to members of the European Parliament about the role of foundations in Europe does not even provide ‘international development’ as an option in its possible answers for the question “*what is the role of foundations according to you?*”³⁹

³¹ OECD 2003; EFC 2005

³² Johnson 2011

³³ EFC (2008) ‘Foundations in the European Union, Facts and Figures: Report on work by EFC Research Task Force’, Brussels, Belgium: European Foundation Centre.

³⁴ EFC 2005

³⁵ EFC 2008

³⁶ Johnson 2011

³⁷ Philanthropy in Europe (2010) ‘Crisis. What Crisis? European Foundation Giving Soars over the Last Three Years’, Philanthropy in Europe, available at www.chapel-york.com/pie/pdf/Philanthropy_in_Europe_sample.pdf.

³⁸ EFC (2007) ‘Survey of European Foundations’ and Corporate Donors’ Funding for Global Development’, Brussels, Belgium: European Foundation Centre.

³⁹ EFC 2010: 47

However, a 2003 study suggests that, although European foundations did not typically fund outside of Europe, 40% of those surveyed did have some international activity.⁴⁰ An OECD survey in the same year identified some of the following foundations as being active internationally, although they gave little clear definition of what this meant in practice:⁴¹

- Fundacion La Caixa
- Comagnia di San Paolo
- VolkswagenStiftung
- Knut och Alice Wallenbergs Stiftelse
- GlaxoSmithKline Foundation
- Deutsche Bank Foundation
- Robert Bosch Stiftung GmbH

EFC data suggest that there is some growing interest by European foundations in international giving. Among the reasons cited for the limited involvement in overseas work were the difficulties in identifying local partners and qualifying beneficiaries, problems of assessing impact or monitoring and evaluating work, as well as difficulties in changing their own mandate. The EFC outlined four ways for European foundations to become more involved internationally: take a global view; advocate and convene; invest in knowledge development, research and innovation on global issues; and collaborate together.⁴² There is also some expectation that EFC's Europe in the World Fund will help funnel EU foundations' funds into international humanitarian assistance and disaster relief work.

3.4. Foundations elsewhere

In Canada there were 8,500 foundations registered with the Canadian Revenue Agency in 2004, with assets totalling CDN\$12.5 billion, and granting over CDN\$1 billion. In Australia, giving by foundations and charitable trusts more generally was A\$250 million in 1997, and philanthropic organisations spent A\$8 million.⁴³

In Latin America most philanthropy appears to operate on an informal and personal level, often involving extended networks of family and friends. A small non-profit sector, and previous experiences with corruption and mismanagement, may make possible donors hesitant about organised, formal philanthropy. But institutional philanthropy is beginning to grow, particularly in Argentina, Brazil, Ecuador, Guatemala and Mexico.⁴⁴

In Asia, too, much philanthropy is private and undocumented, and often linked to family or village giving. However, there are a number of new, increasingly professional, philanthropic foundations, including the Tata Foundation in India, Adream in China and new Islamic foundations in the Gulf States based on the tradition of *zakat*. Collaborative philanthropic ventures have been created, including the Asia Pacific Philanthropy Consortium, founded in 1994, and the new Singapore-based Asian Philanthropy Advisory Network which funds a variety of childhood, health, and education initiatives, among others.⁴⁵

There are increasing numbers of wealthy philanthropists in emerging BRIC economies.⁴⁶ India has a significant record of philanthropic giving, which in 2006 totalled US\$5 billion,

⁴⁰ Brophy, M. (2003) 'The Report on Europe in the World Network Feasibility Project', Help for All Trust, East Sussex: 3, cited in OECD 2003: 60.

⁴¹ OECD 2003: 61

⁴² Laugharn, P. (2007) 'International funding – Is the glass half full, or half empty?', *EFFECT Foundations in Europe Together* 1(1): 16–18.

⁴³ Ambrose, N. (2005) 'Global Philanthropy', Arlington, VA, USA: Council on Foundations.

⁴⁴ Ambrose 2005

⁴⁵ More information is available at the Asian Philanthropy Advisory Network website,

www.AsianPhilanthropy.org/aboutAPAN.

⁴⁶ The International Development Committee 2012a

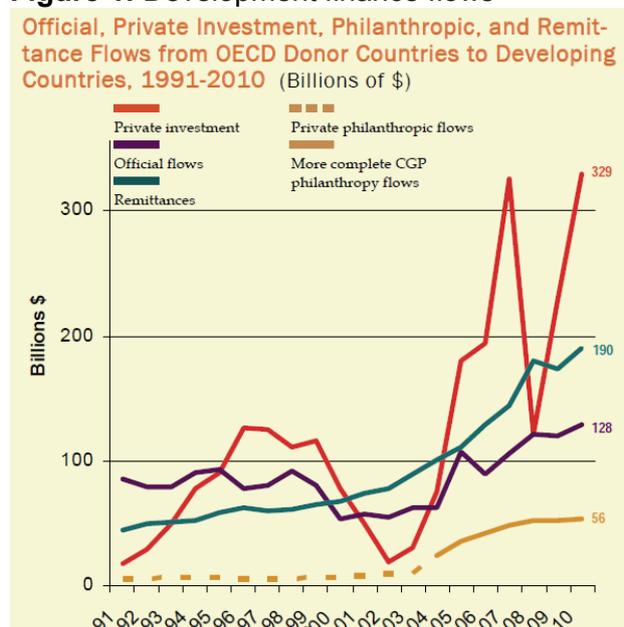
around 0.6% of India's GDP. This compares favourably with Brazil's rate of giving of 0.3% and China's 0.1% of GDP. Individual and corporate donations still only make up an estimated 10% of charitable giving in India. Many wealthy individuals are establishing new foundations in India, for example the Bajaj Trust with an endowment of \$150 million, and the Bharti Foundation, started by Sunil Mittal with an estimated \$60 million.⁴⁷

There are also a small number of supra-national international philanthropic entities which work closely with foundations, multilaterals and governments. The Global Fund, for instance, is a private-public partnership with funding from both government and philanthropic sources. In January 2012 it received US\$750 million from the Gates Foundation, in addition to its previous donation of US\$650 million over the last decade. Members of the Global Fund board include representatives from multilateral and national development organisations, public-private partnerships, and foundations – currently, the Gates Foundation fills the 'Private Foundations' (voting) Board seat.⁴⁸ Foundations may also partner with, and fund, various specialist public/private international initiatives; DFID, for instance, collaborates with the Wellcome Trust on health issues and the Gates Foundation in the area of agro-development.⁴⁹

3.5. Foundations and private philanthropic donors in context

Any analysis of the role of foundations and private philanthropic donors needs to be seen in a comparative context – particularly that private philanthropic funding is relatively small compared with official development assistance from multilateral agencies and governmental donors. Estimates of giving by private philanthropic donors for international development are unreliable – ranging from US\$22.2 billion to US\$52.5 billion in 2010. But whatever the specific figure it is clear that such grantors are relatively small funding actors compared with other sources. For example, ODA in the same year was an estimated US\$120 billion, while financial transfers from developed countries to less-developed in the form of direct investment or remittances was considerably higher.⁵⁰

Figure 1: Development finance flows



Source: Center for Global Prosperity 2012: 15.

⁴⁷ Sheth, A. (2010) 'An Overview of Philanthropy in India', Mumbai, India: Bain and Company India: 6.

⁴⁸ See www.theglobalfund.org/en/board/members/ for current Board members.

⁴⁹ The International Development Committee 2012a

⁵⁰ The International Development Committee 2012a

Figure 1 illustrates the comparative trends in private investment, remittances, ODA, and private philanthropy from 1991–2010. Remittances are a substantial resource and continue to rise in importance. Private investment is clearly significant, but fluctuates (note the dramatic drop during the financial crisis in 2008). ODA also fluctuates, but continues to rise, reaching around US\$128 billion (from the OECD countries) in 2010. Private philanthropy, on the other hand, is much lower, and began a slow rise only after 2002–03.⁵¹ These data highlight that private philanthropic donors make up a relatively small proportion of financial flows internationally, and that one must not over-estimate its role or impact. Foundations have a particular niche in funding international development, but it is only a small proportion of overall foundational spending.

4. Private philanthropic donors: characteristics, opportunities and challenges for NGOs

The previous section shows that private philanthropic donors appear to have a growing presence in international development. Understanding the unique characteristics of private donors is crucial for NGOs to work effectively with them.

As outlined above, private philanthropic donors are extremely diverse. Nevertheless there are particular characteristics and approaches which are relatively common amongst private donors and which make them different to NGOs in international development. Many philanthropic foundations bring a ‘business-like approach’ to development, and encourage the use of management techniques and principles imported from the for-profit sector. This approach has been referred to as ‘philanthrocapitalism’, and to some represents a novel way of addressing international development, intended to bring efficiency, effectiveness, performance goals, and returns on investments (including social returns).⁵² There is certainly optimism in some quarters that where traditional aid assistance has seen frustratingly slow progress, new and greater, less restricted financial flows from private actors and public-private partnerships may push development forward.⁵³

However, these same aspects of foundations that carry positive potential have also given rise to criticism and concerns within the ‘traditional’ international development community. This section teases out some of the common claims, perceptions and tensions, drawing on empirical evidence where it exists as well as on anecdotal evidence from interactions with NGOs and foundations.

4.1. Innovation and risk-taking

Probably the main perception that exists about private foundations in international development is their potential for bringing fresh thinking, innovation and a willingness to take risks. There is a general consensus that private philanthropic donors and foundations can be, and should be, more innovative in the way they use their resources and influence.⁵⁴ It is argued that foundations are able to develop and pursue creative solutions because they are

⁵¹ Center for Global Prosperity (2012) ‘The Index of Global Philanthropy and Remittances 2012’, Washington, DC, USA: The Center for Global Prosperity at the Hudson Institute: 15

⁵² Bishop, M. and M. Green (2008) ‘Philanthrocapitalism’, London, UK: Bloomsbury; Edwards, M. (2008) *Just Another Emperor? The Myths and Realities of Philanthrocapitalism*, New York, USA: Demos; and London, UK: The Young Foundation.; Marten and Witte 2008; Kapur, D. and D. Whittle (2010) ‘Can the Privatization of Foreign Aid Enhance Accountability?’, *Journal of International Law and Politics* 42(4): 1143–80; Edwards, M. (2011) ‘The Role and Limitations of Philanthropy’, Bellagio Report, IDS, Sussex, UK: The Bellagio Initiative.

⁵³ Metcalfe Little, H. (2010) ‘The Role of Private Assistance in International Development’, *Journal of International Law and Politics* 42(4): 1091–1109.

⁵⁴ Anheier, H and D. Leat (2006), ‘Creative Philanthropy’, Routledge, London, UK.

separate from public budgetary and political cycles, so can take risks that governments and NGOs cannot. Furthermore, they see themselves as less risk averse than traditional donors.⁵⁵ They are more flexible and faster to respond than governments typically are, and they can afford the risks involved in innovation.⁵⁶

Some have said that a preference for flexibility and innovation can lead foundations to follow 'development fads', favouring new ideas and approaches over approaches that are seen as tried and tested, and deserving of funding. But the evidence is that the sheer diversity of private philanthropic giving allows for a range of flexible and targeted funding, ranging from responsive emergency funds to activist or advocacy funding (e.g. for human rights lawyers, women activists and indigenous groups). Such funding can be important, especially as many of the NGOs who used to provide their own funding in this way no longer provide such support, mainly because of the high transaction costs of administering a range of different small grants, and the narrowing of their organisational goals.

However, it is debatable whether foundations are genuinely less risk-averse than traditional donors. Like traditional donors, foundations often face the difficulty of finding suitable and capable local partners which affects where they are able to or willing to work.⁵⁷ Risk-taking behaviour may also be related to organisational characteristics such as size, the make-up of the Board or the attitude of the original benefactor. Anecdotal evidence suggests that smaller foundations are more likely to be cautious with their risk assessments and investments; also that their trustees may be somewhat conservative in their efforts to protect the original endowment. If the original benefactor is still engaged in the giving process they are more likely to support innovative projects.

Moreover, the innovative potential, flexibility and adaptability of private philanthropic funding may be negatively affected by the move to greater regulations, working groups, and coordinating bodies under recent international efforts to harmonise development aid. The inherent independence and innovation in foundational and philanthropic giving should be valued by NGOs, and therefore protected from some of the exigencies of current aid harmonisation policies.

4.2. Problem-solving approaches versus holistic development

While opportunities for innovation open up great potential for collaboration amongst private foundations and NGOs, one of the greatest tensions that exists comes from the fairly entrenched perception that foundations and other 'philanthrocapitalists' are focused on finding technical solutions to clearly identified problems; this jars with the worldview of many development actors who have moved towards a more holistic approach to development.

Foundations, being private, can act outside of national or local politics and as they see it 'get things done'. In this way they echo the claims of NGOs in their early days, that they were flexible and able to move quickly, ignoring or working around their own and other governments.⁵⁸ Such an approach can lead to vertically delivered, technical solutions to resolve problems which resonate well with a 'business-like' model of programme implementation. Many of the aims of more technical programmes cannot be faulted; who would not want to see a vaccine for malaria or an improved treatment for HIV/AIDS patients? They fill a gap which is clearly there, and a results-based, entrepreneurial focus can help to

⁵⁵ See also Foley, C. (2011) 'Concern's engagement with the Bill and Melinda Gates Foundation on innovation', *ONTRAC 49*, Oxford, UK: INTRAC.

⁵⁶ Marten and Witte 2008; OECD 2003

⁵⁷ Marten and Witte 2008

⁵⁸ The International Development Committee 2012a; OECD 2003; Hailey, J. (2011b) 'NGO Funding and Private Philanthropy', *ONTRAC 49*, Oxford, UK: INTRAC.

promote innovation and effective programmes, not dragged down by old bureaucracies. For smaller foundations whose scope is limited by budget, choosing a niche or having a focus allows them to develop an area of expertise and to collaborate with similar-minded bodies, to much greater effect than they might exert alone.⁵⁹

However, this perceived preference for technical and vertical solutions has led to an over-reliance on somewhat one-dimensional solutions. We have seen a return to projects merely providing equipment or technology, e.g. vaccinations, new water systems or bed nets. To some commentators this represents a return to a positivistic approach to development which characterised the 1950s and 60s, and the belief that investment in development was a process of overcoming ignorance and a deficit of technical knowledge. Within this logic, sufficient investment and application of technology can solve problems supported by an entrepreneurial 'can-do culture'; these technologies can overcome poverty and ignorance. This approach appears to resonate well with the evidence-based, results-oriented and value-for-money tendencies which are currently dominant in international development debates. The 'Proven Impact Initiative' of Innovations for Poverty Action (IPA) offers an interesting example. Their website provides a simple presentation of technical initiatives that IPA's research has proven to work (e.g. de-worming, bed nets, investment vouchers), and provides direct links for foundations to invest in these initiatives.⁶⁰

These kinds of vertically-delivered technical solutions risk creating a new set of parallel structures or processes which may undermine existing national structures, lead to duplication and threaten local ownership of development processes.⁶¹ Moreover, issues outside the dominant problem/solution focus can be neglected, for example, the stagnation of family planning service expansion due in part to the diversion of many global resources to HIV/AIDS.

This 'techno-fix' investment jars with the work of many NGOs who for the last thirty years have pursued a more participatory, socially embedded approach to development marked by empowerment, ownership, capacity building and sustainability. Such thinking emerged partly out of the failure of earlier initiatives, such as the malaria eradication programme in the 1960s, which were criticised for failing to strengthen sustainable local capacities or local infrastructure required for long-term healthcare. An overly-narrow focus can deflect consideration of less technical developmental issues and mean that structural and political root causes are overlooked. Focusing on isolated problems rather than holistic development does not promote the level of social transformation needed to address the underlying causes of the problems that the foundation seeks to 'fix'; such vertical or technocratic work merely address the symptoms. In some cases, it could be argued that the 'fix' provided only maintains status quo structures that generate and perpetuate the inequalities and social problems they intended to solve.⁶²

What emerges here is a tension between those (commonly found in NGOs) who espouse greater participation and local *ownership*, and those promoting *donorship* whereby the charity of the rich is applied to meeting short-term, concrete goals. This has been

⁵⁹ The International Development Committee 2012a

⁶⁰ See www.poverty-action.org/provenimpact. It is worth noting that there has been a return to such technocratic language in DFID's overviews of its work. For example, in its summary of its work in Rwanda it identifies that 1,074,000 bed nets will be distributed as a result of its support. DFID (2011) 'Summary of DFID's work in Rwanda 2011–2015', London, UK: Department for International Development, available at www.dfid.gov.uk/Documents/publications1/op/rwanda-2011-summary.pdf.

⁶¹ The International Development Committee 2012a; Marten and Witte 2008

⁶² Edwards 2008; Arnove, R. and N. Pinede (2007) 'Revisiting the "Big Three" Foundations', *Critical Sociology* 33(3): 389–425.

characterised as a tension between ‘planners’ and ‘doers’.⁶³ There is concern that these dichotomous positions are becoming entrenched, and there is limited understanding of their different perspectives. Delveltere and De Bruyn, who see private philanthropic donors as part of the ‘fourth pillar’ of development aid, highlight the concern that this pillar constitutes an epistemic community separate from that of traditional development actors, and as such are often ignored by them and those who research them.⁶⁴

That said, many foundations are aware of such concerns. The CEO of the Gates Foundation has countered claims about the single-issue critique of its work supporting development in health care by demonstrating how the Foundation supports both systems-strengthening and more focused ‘high-tech’ scientific initiatives such as immunisations. Similarly, DFID answered questions about its support of GAVI, a single-issue private-public partnership, by contextualising it as a complementary, not replacement, initiative. Moreover, many private donors do tackle politics head-on, with support to human rights (e.g. the Sigrid Rausing Trust), child rights (e.g. the Oak Foundation), or studies of political structures and policies (e.g. the Ford Foundation, Joseph Rowntree Foundation).

4.3. Overt and inadvertent agenda-setting

NGOs have long used a range of advocacy and lobbying techniques to attempt to push policymakers and governments in particular directions on international development. Private foundations are equally present in the public spotlight – if not more. Some foundations are highly effective at mobilising the media, and are able to leverage big names, both in business (e.g. Bill Gates and George Soros) and celebrities (e.g. Bono), to generate visibility in the media and considerable public interest and support. Some foundations also effectively exploit the potential of social media and online networks to raise both awareness and funds. Pepsi used its website to allow people to vote for social project candidates for the US\$20 million it gave away in lieu of SuperBowl advertising.⁶⁵ Similar techniques are used by high-profile individual givers. For example, the movie star Hugh Jackman recently used Twitter to decide which charity should receive the US\$100,000 he was offering to its most eloquent supporter (in 140 characters).

However, the way that some private donors apply marketing techniques and experience to create recognisable ‘brands’ and mobilise public and political goodwill for the benefit of development, has provoked some criticism.⁶⁶ When private donors apply their public relations and media savvy to push an agenda, or use celebrities to generate public interest pressure for a specific cause or project, some critics feel they are manipulating, monopolising or skewing the development agenda.⁶⁷ This in itself is not a problem, after all this is precisely what most NGO advocacy campaigns seek to do. What is more of a concern is the motivation that lies behind such drives. The concern is that foundations may shift strategies in line with the (sometimes changing) interests and priorities of their founders or benefactors. Funding strategies may depend on the interests of a few key individuals and funding decisions may not be based on a transparent process or evidence-based or systematic selection criteria.⁶⁸ It could be argued that, as private organisations using their own resources, philanthropic foundations are entitled to make that choice. But large

⁶³ Delveltere, P. and T. DeBruyn (2009) ‘The emergence of a fourth pillar in development aid’, *Development in Practice* 19(7): 912–22.

⁶⁴ Delveltere and DeBruyn 2009

⁶⁵ Kapur and Whittle 2010

⁶⁶ Marten and Witte 2008

⁶⁷ Marten and Witte 2008

⁶⁸ For an interesting (and telling) empirical study on foundation attitudes and practices, including the role of founder interest and other factors in the grant application and review process, see Ostrower, F. (2004) ‘Attitudes and Practices Concerning Effective Philanthropy: Survey Report’, Washington, DC, USA: The Urban Institute Center on NonProfits and Philanthropy - particularly the data tables in Appendix A.

foundations with economic and therefore political clout may exert tremendous influence on the direction of aid, and should be considered accountable to some extent for their influence over which issues are on the development agenda and which receive attention and funding.⁶⁹ Linked to this is the concern that major foundations can overwhelm existing aid strategies. Large foundations, particularly the Gates Foundation, stand accused of distorting research and funding priorities, and some development actors feel threatened by this; for example, some World Health Organisation staff are worried by what they see as the Gates Foundation's apparent moves to usurp the WHO's place as a global health authority.⁷⁰

4.4. Diversified resources and novel approaches

Private foundations derive their income from different sources to NGOs, in turn opening up diverse funding streams for international development. This brings with it new terminology for NGOs, although on closer scrutiny many of the actions closely mirror approaches that NGOs have used for many years.

Private actors may have access to more extensive, and/or more quickly mobilised, funds. There are also a number of financing options open to private donors that traditional donors have not really used. For instance, they might buy bonds issued by the International Finance Facility for Immunization, with these purchases then allowing the IFFI to quickly mobilise funds to support immunisation against preventable diseases. Private, corporate, actors, might engage in innovative funding initiatives or partnerships like the Product (RED)TM partnership, where a share of product revenue goes to the Global Fund.⁷¹

Private development donors, particularly foundations, can also provide a great diversity of funding streams. The wide array of foundations covers numerous interests and values, which in turn leads to support for a greater range of initiatives and programmes. This may include funding for such diverse entities as single-issue campaigning organisations, activist civil society organisations, or a variety of faith-based organisations or specific congregations – none of which governments or official aid donors usually fund, and all of which make a significant contribution to a diverse civil society.⁷² Another advantage foundations can bring is long-term funding. Unlike many public funding schemes, foundations are often willing and able to provide longer term, unrestricted support, recognising that it takes time to see the results of development projects.⁷³

The increase of foundations working in international development has spawned new terminology and concepts, such as venture philanthropy, engaged funding or funding plus.⁷⁴ Venture philanthropy emerged in the USA in the mid-1990s. It is defined as “*an approach to charitable giving that applies venture capital investment principles – such as long-term investment and capacity-building support – to the voluntary and community sector ... a form of “engaged” philanthropy*”. Venture philanthropy financing varies; either on direct grant giving complemented by ongoing advice or board membership, or through social enterprise investment instruments, loans or surplus-sharing mechanisms. Its influence in development is of growing significance and elements of venture philanthropy are found across

⁶⁹ Kapur and Whittle 2010

⁷⁰ Stepanek, M. and C. Maldonado (2007) ‘Rockefeller 2.0: Bill Gates is reshaping philanthropy—as it relaunches him’, *Contribute Magazine*, *Contribute – the People and Ideas of Giving*, available at www.contributemedia.com/people_details.php?id=199.

⁷¹ Davis, K. E. and S. Dadush (2010) ‘The Privatization of Development Assistance: Symposium Overview’, New York, USA, New York University Law and Economics Working Papers, Paper 218.

⁷² Metcalf Little 2010; IVAR 2011

⁷³ De Las Casas and Fiennes 2007

⁷⁴ IVAR 2011

development funding.⁷⁵ Thus, terms such as high engagement, tailored financing, grant enhancement, funding plus, capacity grant initiatives or mission-led social investment are increasingly seen in grant proposals.⁷⁶

While this terminology may be new, much of the practical application echoes what many NGOs have been engaged with for many years in building the capacity of local partners through various organisational development, capacity building, and accompaniment processes. Therefore despite some new language and concepts, the differences between traditional and private donors may not be as drastic as they appear. However, this new business-derived funding is leading to a renewed focus for NGOs on aspects like enterprise development and new investment in microfinance and small and medium enterprises. It has become more common to see both grantors and grantees, including many established NGOs, adopt the language of social enterprise and social franchising alongside traditional developmental terminology, and a willingness to talk about franchising, investment, viability and rates of return (both social and financial).⁷⁷

4.5. Measuring results and managing resources

The monitoring, evaluating and measuring of results is one area where private foundations and NGOs appear to be coming closer together, converging around the desire to better understand their impact on the one hand, and pressure from their respective constituencies, boards and donors to demonstrate results on the other. The professional experience of many private philanthropists and those working in new foundations influences the way they manage resources, measure results and assess impact. Many new foundations apply business concepts and investment terminology in their programme work – they are keen to identify key indicators of performance, effectiveness and impact. They emphasise talent management, invest in leadership, promote best practice and celebrate success. They also work to keep overheads low and minimise bureaucracy, and delegate or sub-contract activities where appropriate. There appears to be a more business-like approach to planning, monitoring and evaluating performance, assessing impact and organisational learning, based around ideas of problem-solving, failure and success. As with business, they wish to know the impact, including (social) returns, of their investments in development.

A 2004 survey study found that less than half of US foundations formally evaluated projects they funded.⁷⁸ However, this picture appears to be changing. In recent years, foundations have made rapid steps towards better impact evaluation.⁷⁹ For instance, the Rockefeller and Gates Foundations have invested heavily in establishing new evaluation capacity. In June 2011, INTRAC hosted a conference on monitoring and evaluation. Among presenters were representatives of the Rockefeller, Oak and Gates Foundations, speaking about evaluation and measuring within their organisations. All three highlighted the positive results of monitoring and evaluation. They identified the organisational reasons for strong evaluation, including: informing good governance and evidence-based decisions; clarifying strategy and rationale; working more effectively with partners and creating a shared vision; learning; measuring impact to judge efficiency and effectiveness of grants.⁸⁰ The Bill and Melinda

⁷⁵ Philanthropy UK (2012) 'Venture Philanthropy', available at www.philanthropyuk.org/resources/venture-philanthropy.

⁷⁶ EVPA (2011) 'What is VP?', European Venture Philanthropy Association, available at <http://evpa.eu.com/knowledge-centre/what-is-vp/>.

⁷⁷ Desai, R. M. and H. Kharas (2010) 'Democratizing Foreign Aid: Online Philanthropy and International Development Assistance', *Journal of International Law and Politics* 42(4): 1111–42.

⁷⁸ Ostrower 2004

⁷⁹ Picciotto, R. (2011), 'Evaluating Development Philanthropy in a Changing World', Bellagio Report, IDS, Sussex, UK: Bellagio Initiative.

⁸⁰ These and other presentations and papers from the conference are available at www.intrac.org/pages/en/evaluation-conference-presentations.html

Gates Foundation and the William and Flora Hewlett Foundation have recently sponsored the Centre for Global Development's 'Closing the Evaluation Gap' project, which looked at monitoring and evaluation in both private and traditional donors.⁸¹

As their funding portfolio has expanded and staff and management have faced greater demands, new (and possibly more bureaucratic) systems and processes have been created. On the one hand, there appears to be a growing awareness among private philanthropic donors of the need to invest in development sector-specific evaluation and assessment instruments and processes.⁸² In this regard they can learn from the work of evaluation departments in official donors and other specialists in the field. Paying close attention to what works, and how, could also foster accountability and improve collaboration or partnerships.⁸³ On the other hand, the shift towards more bureaucratic systems has prompted the concern that some of the larger foundations are more akin to official donors than responsive private donors.⁸⁴ There is also some concern that foundations' decision-making processes are too centralised and there is little or no field presence. This is understandable for some smaller foundations, with smaller staff and scope, but is also the case with quite large organisations; notable exceptions include the Ford, Mott, Agha Khan, Asia, McArthur and Kellogg foundations. Foundations, particularly larger ones, need to monitor and where appropriate address this to promote greater coordination with other donors, and develop partnerships with local NGOs, diaspora groups, and other civil society actors.⁸⁵

4.6. Accountability and transparency

As with monitoring and evaluation, private donors operate under different accountability and transparency norms, brought from the private sector and dependent to some extent on the legal system in the countries in which they are based.

As private and legally separate entities, foundations do not necessarily have the same accountability structures as governments; like other non-profits, they are usually accountable to their boards and/or benefactor(s), not a voting public. Legally, foundations are accountable to whatever standard local legislation defines necessary for them to retain their status as foundations; in the USA, for instance, the law requires foundations to spend at least 5% of their endowment yearly. The UK has no such requirement, but DFID is working with its partners from the Transparency and Accountability Initiative to get private foundations to sign up to the International Aid Transparency Initiative. In the USA, foundations must submit annual accounts and financial reports, including lists of all grants made, to keep their charitable status, and are subject to public, media and Congressional scrutiny. Foundations in England and Wales currently file annual reports with the UK Charity Commission (and with the Scottish Charity Regulator in Scotland and the Charity Commission for Northern Ireland), demonstrating how they are providing public benefit and meeting their charitable objectives.

The lack of public accountability or transparency about decisions on prioritising activities or how assets are spent is a common concern about private funders in international development,⁸⁶ and links in with concerns expressed earlier about the way that private philanthropy is shaping the aid agenda. Lower levels of accountability and scrutiny mean

⁸¹ The International Development Committee 2012a

⁸² Picciotto 2011

⁸³ Picciotto 2011 and Marten and Witte 2008

⁸⁴ Marten and Witte 2008; OECD 2003

⁸⁵ OECD 2003; Starita, L. (2011) 'Experts Disagree on Foundation's Role in International Development', News and Commentary, Philanthropy Action (Sona Partners), available at www.philanthropyaction.com/nc/experts_disagree_on_foundations_role_in_international_development.

⁸⁶ Stepanek and Maldonado 2007

that foundations risk working in isolation, and their legitimacy is undermined by accusations of arbitrary decision-making.

That said, there may be benefits of different forms of accountability in practice. Some argue that philanthropic funding ‘frees’ NGOs from official aid policies and agendas, and enables them to be ‘liberated’ from government-driven development agendas.⁸⁷ Whether this is a good and appropriate trend is debateable, but it is an issue that NGOs in receipt of foundation funding must factor into their decision-making processes. Moreover, it has been argued that private donors have the potential to improve accountability, primarily through better information flows and understanding of stakeholder preferences. Using new technologies and in the face of stakeholder pressure, private development actors should be able to adopt better accountability mechanisms, and do so more quickly than traditional donors. Foundations are already considering new methodologies such as assessing social value creation, actionable measurement, rating service provision, remote monitoring, and enhanced beneficiary feedback systems. Improved accountability would not only benefit the governance and strategising of foundations, but would also promote a degree of beneficiary empowerment.⁸⁸ Effective accountability also ensures that they improve resource utilisation, achieve outcomes and facilitate improved coordination.⁸⁹

Many foundations have supported calls for greater transparency by voluntarily providing additional information on their websites and annual reports beyond what is legally required.⁹⁰ There is also a general recognition that improved evaluation processes will ensure greater accountability and transparency.⁹¹ Many foundations, including the Gates Foundation, are addressing the accountability deficit, particularly by establishing advisory panels.⁹² Foundations can also promote improved accountability through developing new approaches to increase stakeholder inclusion. This is exemplified by the way board membership has become more international and diversified.⁹³

In another noteworthy development, many foundations are in the process of developing their evaluation functions and recruiting specialist evaluation professionals; as well as investing in new technologies, such as web-based surveys, to gauge stakeholder opinions and views, beneficiary feedback, and facilitate a process of internal self-reflection and learning.⁹⁴ In general there is a much greater understanding among private philanthropic donors that they must adopt more accountable and transparent processes; partly to address past criticism and political concerns, but more importantly to promote best practice and ensure resources are used in an effective and sustainable manner, and generate significant social and developmental returns.

⁸⁷ Desai and Kharas 2010

⁸⁸ Kapur and Whittle 2010

⁸⁹ Desai and Kharas 2010

⁹⁰ The International Development Committee 2012a

⁹¹ Metcalf Little 2010; Picciotto 2011

⁹² The International Development Committee 2012a

⁹³ For one example, see the Global Fund’s recruitment of civil society representation on its board, available at www.theglobalfund.org/en/board/members.

⁹⁴ Edwards 2011

5. Conclusion: moving forward

The issue of private donors in international development elicits a range of reactions, from bold enthusiasm to skittish fear. It is possible that the two sectors – international development NGOs and private philanthropic foundations engaged in international development – have simply not become sufficiently acquainted with one another. Metcalf Little argues that the influx of new and diverse private development donors and actors is changing the face of development thinking, and constitutes a paradigm shift. She argues that this, in turn, threatens the established ‘development bureaucracy’.⁹⁵ Some of the criticism of private philanthropic donors may stem from fears that such new and independent grantors will displace, rather than complement, traditional development donors.

The work of the broad range of private philanthropic funders is unique and distinct, and foundational support has advantages and disadvantages. Foundations may challenge the way that NGOs work, but they also bring fresh ideas and perspectives on a sometimes tired aid system. There are, though, genuine concerns about the way foundation funding may affect NGO decision-making, skew their profile and create parallel systems and structures, as well as undermine local ownership. NGOs should be willing to work proactively with foundations to draw out the potential advantages, whilst guarding against the potential problems.

We know that aid funding is changing, and that it is likely that there will be more contact between NGOs and private philanthropic donors. Development workers are increasingly moving between the public and private sector. There is likely to be more programmatic partnerships and collaboration between private donors and NGOs. Yet there is little research into the processes involved or the challenges faced by the different actors – both with their own distinct values, theories of change and priorities. More research needs to be commissioned on the dynamics of NGO–private donor relationships to assess lessons learnt and identify best practices.

This paper offers an overview of the available evidence on the size, scope and unique qualities of private philanthropic donors, foundations and NGOs. It has reviewed some of the particular opportunities and challenges that foundations bring to international development work. It has identified and drawn on recent literature around private giving and international development. It has highlighted a concern that private donors and NGOs run the risk of inhabiting and operating in two separate realms; coordination, collaboration, and complementarity are therefore needed, not obfuscation, duplication, and competition. In a climate where contact and work with foundations is steadily on the rise, dialogue between private philanthropic donors, NGOs and CSOs needs to be actively fostered to promote greater understanding of their different theories of change, as well as to develop a better understanding of their positions and approaches to managing and delivering aid. Possibly most important is the need to identify spaces where private donors and NGOs can come together and share their learning and experiences in the interests of positive collaboration.

The paper has provided the base for further explorations of the role of private philanthropic donors in development, and how they and NGOs may work together to advance shared development priorities and mutual agendas. Both NGOs and foundations need to understand each other better and share knowledge and experience. They complement each other and in many ways are well-suited to being effective development partners.

⁹⁵ Metcalf Little 2010: 102

6. Bibliography

- ACF and CAF** (2007) 'Grantmaking by UK Trusts and Charities', London and West Malling, UK: Association of Charitable Foundations and Charities Aid Foundation.
- Ambrose, N.** (2005) 'Global Philanthropy', Arlington, VA, USA: Council on Foundations.
- Anheier, H and D. Leat** (2006), 'Creative Philanthropy', Routledge, London, UK.
- Arnove, R. and N. Pinede** (2007) 'Revisiting the "Big Three" Foundations', *Critical Sociology* 33(3): 389–425.
- Bishop, M. and M. Green** (2008) 'Philanthrocapitalism', London, UK: Bloomsbury.
- Center for Global Prosperity** (2012) 'The Index of Global Philanthropy and Remittances 2012', Washington, DC, USA: The Center for Global Prosperity at the Hudson Institute.
- Davis, K. E. and S. Dadush** (2010) 'The Privatization of Development Assistance: Symposium Overview', New York, USA, New York University Law and Economics Working Papers, Paper 218.
- De Las Casa, L. and C. Fiennes** (2007) 'A Review of International Development Funding by UK Trusts and Foundations', London, UK: New Philanthropy Capital.
- Desai, R. M. and H. Kharas** (2010) 'Democratizing Foreign Aid: Online Philanthropy and International Development Assistance', *Journal of International Law and Politics* 42(4): 1111–42.
- Delvetere, P. and T. DeBruyn** (2009) 'The emergence of a fourth pillar in development aid', *Development in Practice* 19(7): 912–22.
- DFID** (2011) 'Summary of DFID's work in Rwanda 2011–2015', London, UK: Department for International Development, available at <http://www.dfid.gov.uk/Documents/publications1/op/rwanda-2011-summary.pdf>.
- Edwards, M.** (2008) *Just Another Emperor? The Myths and Realities of Philanthrocapitalism*, New York, USA: Dēmos; and London, UK: The Young Foundation.
- Edwards, M.** (2011) 'The Role and Limitations of Philanthropy', Bellagio Report, IDS, Sussex, UK: The Bellagio Initiative.
- EFC** (2005) 'Foundation Facts and Figures Across the EU – Associating Private Wealth for Public Benefit', Brussels, Belgium: European Foundation Centre.
- EFC** (2007) 'Survey of European Foundations' and Corporate Donors' Funding for Global Development', Brussels, Belgium: European Foundation Centre.
- EFC** (2008) 'Foundations in the European Union, Facts and Figures: Report on work by EFC Research Task Force', Brussels, Belgium: European Foundation Centre.
- EFC** (2010) 'European Foundations Survey: Survey among MEPs', Brussels, Belgium: European Foundation Centre (with GALLUP).
- EVPA** (2011) 'What is VP?', European Venture Philanthropy Association, available at <http://evpa.eu.com/knowledge-centre/what-is-vp/>.
- Foley, C.** (2011) 'Concern's engagement with the Bill and Melinda Gates Foundation on innovation', *ONTRAC* 49: 3–4, Oxford, UK: INTRAC.
- Foundation Center** (2011) 'Highlights of Foundation Yearbook, 2011 Edition', *Foundations Today* series, New York: Foundation Center.
- Hailey, J.** (2011a) 'Notes on New Private Donors: Foundations and NGOs', presented at the INTRAC NGO Forum, Oxford, UK, 24–25 May 2011.
- Hailey, J.** (2011b) 'NGO Funding and Private Philanthropy', *ONTRAC* 49: 1–4, Oxford, UK: INTRAC.
- The International Development Committee** (2012a) 'Private Foundations – Thirteenth Report of Session 2010–12; Volume I: Report, together with formal minutes, oral and written evidence', London, UK: House of Commons.
- The International Development Committee** (2012b) 'Private Foundations – Thirteenth Report of Session 2010–12; Volume II: Additional written evidence', London, UK: House of Commons.
- IVAR** (2011) 'Beyond Money: A Study of Funding Plus in the UK', London, UK: Institute of Voluntary Action Research.

- Johnson, P. D.** (2011) 'Global Institutional Philanthropy: A Preliminary Status Report', Boston, MA, USA: The Philanthropic initiative (TPI); and Brussels, Belgium: Worldwide Initiatives for Grantmaker Support (WINGS).
- Kapur, D. and D. Whittle** (2010) 'Can the Privatization of Foreign Aid Enhance Accountability?', *Journal of International Law and Politics* 42(4): 1143–80.
- Laugharn, P.** (2007) 'International funding – Is the glass half full, or half empty?', *EFFECT Foundations in Europe Together* 1(1): 16–18.
- Lawrence, S. and R. Mukai** (2010) 'International Grantmaking Update: A Snapshot of U.S. Foundation Trends', New York, USA: Foundation Center.
- Lawrence, S. and R. Mukai** (2011) 'Foundation Growth and Giving Estimates, Current Outlook, 2011 Edition', *Foundations Today* series, New York, NY, USA: Foundation Center.
- Marten, R. and J. M. Witte** (2008) 'Transforming Development? The Role of Philanthropic Foundations in International Development Cooperation', GPPi Research Paper Series No. 10, Berlin, Germany: Global Public Policy Institute (GPPi).
- Metcalf Little, H.** (2010) 'The Role of Private Assistance in International Development', *Journal of International Law and Politics* 42(4): 1091–1109.
- OECD** (2003) 'Philanthropic Foundations and Development Co-operation', *DAC Journal* 2003 4(3), Paris, France: OECD Publications.
- Ostrower, F.** (2004) 'Attitudes and Practices Concerning Effective Philanthropy: Survey Report', Washington, DC, USA: The Urban Institute Center on NonProfits and Philanthropy.
- Pharoah, C. and L. Bryant** (2012) 'Global Grant-making: A Review of UK Foundations' Funding for International Development', London, UK: Nuffield Foundation.
- Pharoah, C. and C. Keidan** (2011) 'Family Foundation Giving Trends 2011', Centre for Charitable Giving and Philanthropy, London, UK: Cass Business School, City University.
- Philanthropy in Europe** (2010) 'Crisis. What Crisis? European Foundation Giving Soars over the Last Three Years', Philanthropy in Europe, available at www.chapel-york.com/pie/pdf/Philanthropy_in_Europe_sample.pdf.
- Philanthropy UK** (2012) 'Venture Philanthropy', available at www.philanthropyuk.org/resources/venture-philanthropy.
- Picciotto, R.** (2011), 'Evaluating Development Philanthropy in a Changing World', Bellagio Report, IDS, Sussex, UK: Bellagio Initiative.
- Piller, C., E. Sanders and R. Dixon** (2007) 'Dark cloud over good works of Gates Foundation', A Times Investigation, Chicago, USA: *Chicago Tribune*
- Resource Alliance** (2011) 'Philanthropy: Current Context and Future Outlook', Bellagio Report, IDS, Sussex, UK: Bellagio Initiative.
- Sheth, A.** (2010) 'An Overview of Philanthropy in India', Mumbai, India: Bain and Company India.
- Starita, L.** (2011) 'Experts Disagree on Foundation's Role in International Development', News and Commentary, Philanthropy Action (Sona Partners), available at www.philanthropyaction.com/nc/experts_disagree_on_foundations_role_in_international_development/.
- Stepanek, M. and C. Maldonado** (2007) 'Rockefeller 2.0: Bill Gates is reshaping philanthropy—as it relaunches him', *Contribute Magazine*, Contribute – the People and Ideas of Giving, available at www.contributemedia.com/people_details.php?id=199.
- Stoianova, V.** (2012) 'Private Funding: An Emerging Trend in Humanitarian Donorship', Briefing Paper, Wells, UK: Global Humanitarian Assistance Development Initiatives.
- Sulla, O.** (2006) 'Philanthropic Foundations, Actual versus Potential Role in International Development Assistance', note for the Global Development Finance Report, Washington, DC, US: World Bank Development Prospects Group (DECPG) IFT, The World Bank.
- Tadros, M.** (2011) 'Islamic Philanthropy and Wellbeing', Bellagio Briefing Summary, IDS, Sussex, UK: Bellagio Initiative.