



DEVELOPMENT COOPERATION FORUM

UN Special Policy Dialogue on “Private Philanthropic Organizations in International Development Cooperation: New Opportunities and Specific Challenges”

27 February 2012, 10 a.m. – 1 p.m.

Issues Note

1. Introduction

In recent years, private philanthropic foundations from the North and South have significantly increased their commitments to development. In a short period of time, they have become a critical source of development finance. This growing global importance of private philanthropic organizations as development assistance providers calls for a better understanding of their role in global development cooperation and how it can best be leveraged to achieve development results.

Recent examples from the important role played by private philanthropic organizations in critical sectors such as health and education where they are most active show that private philanthropy has the potential to complement official development cooperation in meeting global needs. It also presents some important challenges that need to be analyzed in the broader debate on development effectiveness.

The lack of publicly available and comparable data - particularly on overall volume, financing sources and modalities of development assistance provided by private philanthropic organizations - makes it difficult to assess the role of private philanthropy in global development cooperation and its impact vis-à-vis other aid flows on development results. This is in part a reflection of the fact that there is no internationally accepted framework for defining private philanthropic organizations nor shared platforms for collecting and analyzing data on their activities. It is also a reflection of the limited presence of private philanthropic organizations in global platforms for dialogue on global development cooperation and aid effectiveness.

The UN Secretariat has commissioned a study on current trends in private philanthropy with the objective of broadening knowledge and understanding of the role of private philanthropic institutions in development. The preliminary findings of the study – to be finalized in time for the 2012 session of the United Nations Development Cooperation Forum this July - pointed to a number of challenges in identifying and assessing the contributions of private philanthropy to global development cooperation, which deserve a closer look and analysis. This note summarizes some of these challenges as well as assumptions that have emerged from the study for further discussion at the UN policy dialogue on “Private philanthropic organizations in international development cooperation: new prospects and specific challenges”.

2. Issues

2.1. How do we define private philanthropic organizations?

Defining private philanthropic organizations is a first step to understand their activities and role vis-à-vis other development cooperation providers. Based on current practices, the study suggests defining “private philanthropic organizations or foundations focused on development cooperation as non-governmental non-profit entities providing grants (or concessional loans) to other organizations, institutions or individuals for the purpose of promoting economic development and welfare of developing countries”. These entities have a principal fund of their own, therefore are not entirely reliant on public donations, which is managed by their own trustees and directors. Non-governmental organizations (NGOs), non-development oriented civil society organizations (CSOs) or faith-based institutions, and self-financing organizations, such as micro-financing organizations are excluded from this definition as well as donations such as medicines and equipment mainly to humanitarian relief efforts undertaken by private sector entities.

Private philanthropic organizations that meet these criteria, however, may call themselves foundations, funds, trusts or endowments, while others might call themselves philanthropic organizations or foundations but may be more akin to lobbying groups, research organizations or fundraising bodies¹. Private philanthropic organizations are thus better identified by their source of funding, which in turn could be classified as follows²:

- Private endowment: these are foundations financed by large personal or family endowments;
- Corporate: these are foundations financed by large corporate endowments;
- Community-based: foundations financed through community fund raising;
- Mixed-funding³: foundations receiving funds from multiple sources including individuals, corporations, other private foundations and government agencies. This is quite a common type of fund for southern private philanthropic organizations which receive financial support from northern donors and foundations in addition to contributions from wealthy individuals and corporations and public donations from the South.

2.3 What is the volume of private philanthropy in global development cooperation?

The study shows that there are no internationally available estimates of global private philanthropy through foundations. Available estimates are generally based on private giving broadly defined and do not clarify what proportion of this spending is development-oriented as they do not provide the source of funding (e.g. from private endowment or other foundations).

For example, total private giving of OECD DAC member states – from private charitable giving through NGOs, private philanthropic organizations, corporations, religious organizations, volunteering, and universities and colleges - was estimated by the Hudson

¹ OECD (2003) page 16

² See OECD (2003) and Johnson P (2010) for more discussion and background to types of foundations.

³ This is sometimes referred to as private-public partnerships.

Institute's Center for Global Prosperity⁴ at US\$ 52.5 billion in 2009, of which US\$ 23 billion was net disbursements by NGOs⁵. This implies that all other types of private giving, including private philanthropy, totalled about US\$ 30 billion, but does not clarify what proportion of this spending is development-oriented.

There is even less data available on Southern private philanthropy as none of the estimates on Arab, Asian and Latin American philanthropy is based on a common definition of what constitutes private philanthropy. The top ten private philanthropic grant-making organizations and social investment programmes in Latin America and the Caribbean are estimated to have disbursed US\$580 million regionally, but it is not clear how much of these resources are cross-border flows to other countries versus national expenditure. Estimates from other regions face similar challenges.

The complex funding structures of private philanthropic organizations also contributes to the difficulty of assessing the actual volume of development cooperation provided by private philanthropy as foundations do not necessarily provide a breakdown of disbursements to developing countries.

In recent years, regional and national philanthropic consortia have been established to represent the interests of private philanthropic organizations, to promote best practices and to strengthen philanthropy through mutual support, knowledge sharing and professional development. To date, however, there has been little or no focus by these organizations on data compilation and/or analysis of regional philanthropic trends.

2.4 Is development cooperation provided by private philanthropy more effective in achieving development results?

Private philanthropy's main modalities are project support, technical cooperation including through volunteer programmes, as well as scholarships and educational support funding generally provided as grants or loans. Much of this funding is disbursed directly to projects and/or to civil society organizations for spending in-country, thus outside of government's official channels.

This "off-budget" nature of private philanthropy has a number of implications in terms of impact and effectiveness on development results, both positive and negative. On the positive, private philanthropy might be less susceptible to abuse or misuse because it is delivered directly to the implementers and might be disbursed with less conditionalities, much like South-South cooperation. It might also be able to take more risks than official cooperation and thus support more innovative projects that governments and multilateral organizations are reluctant to support.

On the negative, although private philanthropy provides considerable additional resources to meet global needs such as health care and education in developing countries, much of this funding is off-budget and thus might not be aligned with national development strategies and priorities. It might also complicate national economic and financial management of development by increasing fragmentation of funding – especially if there

⁴ The Hudson Institute's Center for Global Prosperity has been producing estimates of private giving in OECD DAC member states for several years.

⁵ Hudson Institute (2011), page 13

are many such organizations disbursing relatively small amounts in an uncoordinated manner - and by creating parallel systems for their management as opposed to promote country-led systems and capacity. This might be especially the case in developing countries where there is little or no regulation or monitoring of private philanthropy.

At the moment, there is not enough publicly available information to determine how all of these factors, positive and negative, impact on the development effectiveness of private philanthropy.

2.5 Is development cooperation channelled through private philanthropic organizations more cost-effective?

It is often argued that private philanthropy has lower transaction costs than official development assistance because foundations have less bureaucracy and administration to contend with and thus larger portions of their resources reaches the poor. However, looking at the financial statement of some private philanthropic foundations, it would appear that OECD/DAC bilateral donors spent 5.5% of their total disbursements on administration costs, while in 2009 the Bill & Melinda Gates Foundation spent about 11.5% on programme and administrative expenses and the William and Flora Hawlett Foundation spent 9% on administration⁶.

At this time, there is little formal evidence to support or refute either argument as information and data on the administration costs of many private philanthropic organizations are not readily available. While most Northern foundations are required to submit basic financial accounts for tax purposes, and so in principle it should be possible to analyze administration costs of these organizations, private philanthropic organizations from Africa, Asia, Latin America and the Middle East have few if any reporting requirements so cost data for these organization are not available.

2.6 Is aid provided by private philanthropy untied⁷?

Tied development cooperation is reckoned to add between 25% and 40% to project costs. It is often argued that technical assistance provided by philanthropic institutions is untied and thus more cost effective than that of OECD/DAC donors because of the use of volunteers rather than developed-country experts. There is, however, insufficient evidence to support this argument.

3. Considerations for the Way Forward

Private philanthropy can complement official development cooperation provided by government, multilateral organizations, and CSOs to meet global needs as evidenced by its role in the health and education sectors. It also presents some important challenges in terms of donor fragmentation, alignment to programme countries' development strategies and use of parallel financial management or procurement systems.

Maximizing the potential of private philanthropy in global development cooperation will require a better understanding of its comparative advantages and complementarities vis-à-vis aid flows from other providers. This in turn requires: a) more and better information and

⁶ OECD/DAC CRS database and Bill & Melinda Gates Foundation (2009).

⁷ Tied aid is when resources have to be spent on goods/services of the provider country.

data on its contributions to global development cooperation and impact on results; and b) engagement of private philanthropic organizations in the dialogue on global development cooperation as a way to establish a common platform to share information, best practices and generate coordination and partnerships with other providers.

3.1. At the global level

Most private philanthropic organizations, with a few noticeable exceptions, do not participate formally in international dialogues and policy discussions about development cooperation. The UN DCF is well placed to engage private philanthropy organizations in the discussion on how to strengthen effectiveness and coherence of development cooperation and to promote information-sharing on promising practices. The UN Economic and Social Council (ECOSOC) has already engaged in debate with private philanthropy since 2008 through Global Philanthropy Events on various topics. The present meeting is a first opportunity to discuss the expanding role of private philanthropy in global development cooperation and related challenges and opportunities. Discussions on this issue should continue and further examine the volume and composition of cross-border development assistance provided by private philanthropic organizations to developing countries and its effectiveness.

3.2. At the regional level

Regional associations or consortia of private philanthropic organizations (see table 2 for list of existing associations/consortia) have an important role in disseminating information on best practices in philanthropic activities from fundraising to grant-making. While some of these associations have expanded their activities to include analytical work and data compilation, it would deepen international and regional understanding of private philanthropy if more associations would collect basic information on projects and disbursements from their members.

3.3. At the country level

At present the development assistance provided by private philanthropic organizations is mainly outside programme country governments' channels. Hence it may not necessarily align systematically with the country's development strategy and priorities. Promoting sustainable development in developing countries will require strengthening the impact of diverse sources of development finance, including from philanthropic organizations in its support. Private philanthropic organizations could thus be encouraged to provide information to the host countries on their operations. The use of national systems, such as using local banks and purchasing goods and services locally or regionally rather than from their country of origin, would also be of benefit to the host countries.

Table 1 **Estimate of private giving in OECD DAC countries**

	NGOs net disbursements (OECD data), (US\$ bn), 2009*	Hudson Institute estimates of total private giving (US\$ bn), 2008-09	Private giving, excluding NGOs (US\$ bn) 2009	Net bilateral ODA disbursements (US\$ bn) 2009
	(A)	(B)	(B - A)	(C)
Australia (2008)	0.67	0.67	0.00	2.76
Austria	0.14	0.14	0.00	1.14
Belgium	0.38	0.38	0.00	2.61
Canada	1.34	1.34	0.00	4.00
Denmark	0.12	0.13	0.01	2.81
Finland	0.02	0.06	0.04	1.29
France	0.00	1.00	1.00	12.60
Germany	1.37	1.37	0.00	12.08
Greece	0.00	0.00	0.00	0.61
Ireland	0.18	0.18	0.00	1.01
Italy	0.16	0.58	0.42	3.30
Japan	0.53	0.53	0.00	9.47
Korea	0.16	0.16	0.00	0.82
Luxembourg	0.01	0.02	0.01	0.41
Netherlands	0.54	0.70	0.16	6.43
New Zealand	0.05	0.09	0.04	0.31
Norway	0.00	0.26	0.26	4.09
Portugal	0.00	0.01	0.01	0.51
Spain	0.00	0.41	0.41	6.58
Sweden	0.07	0.21	0.14	4.55
Switzerland	0.36	0.52	0.16	2.31
United Kingdom	0.33	6.26	5.93	11.49
United States	16.29	37.50	21.21	28.83
Total	22.72	52.50	29.79	120.00
European countries	3.68	12.23	8.55	73.81
* except 2008 data for Australia				
Sources: OECD DAC , Hudson Institute				

Table 2 List of Philanthropic Associations and Centres

Name of Association or Centre	Website
Africa	
East Africa Association of Grantmakers	www.eaag.org
Greater Good South Africa	www.greatergoodsa.co.za/guidetofinance/
Asia and Pacific	
Center for Philanthropy and Civil Society, Thailand	cpcs.nida.ac.th
Association of Foundations Philippines	www.afonline.org
Asian Philanthropy Forum	www.asianphilanthropyforum.org
The Asia Pacific Philanthropy Consortium	www.asiapacificphilanthropy.org/
Beautiful Foundation	www.beautifulfund.org
Centre for the Advancement of Philanthropy, India	www.cozucare.org/cap
Philanthropy New Zealand	www.giving.org.nz
Japan Foundation Centre	www.jfc.or.jp
Singapore National Volunteer & Philanthropy Centre	www.nvpc.org.sg
Pakistan Centre for Philanthropy	www.pcp.org.pk
Philanthropy Australia	www.philanthropy.org.au
India Centre for Philanthropy	www.sampradaan.org
Europe	
Asociacion Española de Fundaciones	www.fundaciones.org
Association of Charitable Foundations	www.acf.org.uk
Association of Foundations in the Netherlands	www.verenigingvanfondsen.nl
Association of Slovak Community Foundations	www.asociaciakns.sk
Associazione Italiana Fondazioni e Enti di Erogazione (Assifero)	www.assifero.org
Bundesverband Deutscher Stiftungen e.V.	www.stiftungen.org
Center for Philanthropy, Ukraine	www.philanthropy.org.ua
Centre Français des Fondations	www.centre-francais-fondations.org
Centro Português de Fundações	www.cpf.org.pt
Centrum pre filantropiu n.o., Slovakia	www.cpf.sk
Council of Finnish Foundations	www.saatiopalvelu.fi
European Venture Philanthropy Association (EVPA)	www.evpa.eu.com
Philanthropy In Europe	www.philanthropyineurope.com
Philanthropy Ireland	philanthropy.ie
SwissFoundations	www.swissfoundations.ch
The European Foundation Centre	www.efc.be
Latin America and the Caribbean	
Asociación de Fundaciones Petroleras de Colombia	www.afpetroleo.com
Caribbean Philanthropy Network	www.caribbeanphilanthropy.org
Centre on Philanthropy, Bermuda	www.centreonphilanthropy.org/
Centro Mexicano para la Filantropia (CEMEFI)	www.cemefi.org
Latin america donor index	www.lacdonors.org
Worldwide Initiatives for Grantmaker Support (WINGS)	www.wingsweb.org
Middle East	
Arab Foundations Forum	www.arabfoundationsforum.org
John D Gerhart Center for Philanthropy and Civic Engagement	www.aucegypt.edu/research/gerhart/Pages/default.aspx
North America	
Centre for Global Philanthropy of The Philanthropic Initiative INC	www.tpi.org
Foundation Center	foundationcenter.org
Global Philanthropy Forum	www.philanthropyforum.org
Hudson Institute,. Center for Global Prosperity	gpr.hudson.org
Philanthropic Foundations of Canada	www.pfc.ca
United States International Grantmaking (USIG)	www.usig.org
Other	
World Congress of Muslim Philanthropists	www.thewcmp.org