



DCF Special Policy Dialogue
**THE ROLE OF PHILANTHROPIC ORGANIZATIONS
IN THE POST-2015 SETTING**

23 April 2013, UN HQ New York, Conference Room 3, North Lawn Building

Background Note

Introduction

The philanthropic sector has dramatically increased in size and evolved over the last decade. It now covers a broad spectrum of different philanthropic actors, which vary significantly in the volumes of funding disbursed, the way they are funded, their focus and approaches. Their activities in international development cooperation range from grant making to new forms of venture philanthropy. Many of them increasingly engage in partnerships with other actors.

With the discussions on a post-2015 development agenda taking centre stage, and implications of a changed development landscape becoming more apparent, exploring the role of philanthropic organizations in international development cooperation is timely and critical. New ways to collaborate and build cross-sector capacity and networks among philanthropic organizations, member States and other stakeholders will be vital to promote innovation and strengthen partnerships to address development challenges.

At the [first ECOSOC special dialogue on the role of philanthropy in development cooperation](#), held in preparation for the 2012 Development Cooperation Forum (DCF) in New York on 27 February 2012, philanthropic organizations, government delegates and other stakeholders agreed to launch a process of regular dialogue to promote effective multi-stakeholder cooperation in line with national development strategies. At the [2012 DCF](#), development cooperation actors agreed that private philanthropy is a vital source of financing for development whose practices must be better understood and leveraged through new partnerships in the common effort to achieve the Millennium Development Goals (MDGs). Accountability, impact assessment and effective exit strategies were highlighted as key features to ensure sustainability of such partnerships.

The second DCF policy dialogue is an opportunity to further explore the increasingly important role of philanthropic organizations in international development cooperation and how their contribution can complement flows from other stakeholders, leverage other forms of financing for development and bring about innovative ways to achieve more impact in developing countries. The dialogue will have three objectives:

- (a) Take stock and leverage recent experiences of philanthropic organizations in addressing global development challenges.
- (b) Identify innovative practices of philanthropic organizations that yield sustainable development results and how they can be scaled up.
- (c) Explore how multi-stakeholder partnerships can be strengthened and how philanthropic organizations can help shape the renewed global partnership for development that will support the implementation of the post-2015 global development agenda.

1) Taking stock and leveraging experiences of philanthropic organizations to address key development challenges

In recent years, philanthropic organizations from the North and South have significantly increased their commitments to development and emerged as a major source of development finance. Their funding sources are diverse, ranging from private and corporate endowments to community-based fundraising. While there are limitations to the data available for philanthropic giving, funding through philanthropic organizations to development-related activities has grown significantly: conservative estimates show an increase from US\$ 3 billion in 2000 to a total of US\$ 7 to 9.5 billion in 2009¹. Estimates of Southern private philanthropy are thought to be significant, even though it often remains unclear which share of institutionalized flows are development-related and cross-border.

Grant making is the most widespread practice by philanthropic organizations, especially smaller ones, many of which provide project support, technical cooperation and educational grants. Some of the organizations have specialized in providing much-needed immediate relief while others have focused on long-term investments.

Philanthropic organizations have become more directly engaged in shaping public policy making to drive change on pressing issues at country level. In many contexts, they transform the way stakeholders think of public policy, through targeted advocacy. Large philanthropic organizations have engaged in strategic partnerships with international organizations and countries, in some cases providing a lion's share of funding for sectors and engaging in advocacy, policy making and innovation to achieve systemic change.

Because they function outside official government channels and have been able to take greater risks than traditional donors, philanthropic organizations can sometimes respond more quickly to emergencies and urgent demand. Moreover, they can be less susceptible to misappropriation, as they deliver directly to civil society organizations and their aid is usually free from policy conditionalities. They often tailor support to beneficiaries and engage local and sub-national partners, in a "bottom up" approach that supports local decision-making and priority setting. Such a partnership approach also contributes to the sustainability of interventions, often with a well-defined exit strategy in place.

Yet, being "off budget" may also mean that their funding may use systems parallel to those of governments. This may increase fragmentation and transaction costs.. Their support can also be supply-driven and not fully aligned with national development strategies. Lastly, the majority of philanthropic organizations in development cooperation are not active in low-income countries, especially those emerging from conflict, where a low return on investment keeps risk-averse actors from engaging.

Overall, the amount of evidence-based analysis or publicly available information on the volume, type and quality of assistance provided by philanthropic organizations remains limited, which makes it hard to determine their impact on development. Better information would also help philanthropic organizations to better define their roles.

Possible discussion questions:

1. Which global development challenges are philanthropic organizations addressing with the best result?
2. What are good practices and lessons in responding to these challenges effectively?
3. Why have philanthropic organizations been particularly successful in these areas? What have been barriers?

¹ Edwards, Michael (2011). The Role and Limitations of Philanthropy. Commissioned by The Bellagio Initiative. New York. Demos; OECD-DAC (2003). Philanthropic Foundations and Development Co-operation. DAC Journal. Vol. 4, No. 3

4. Does the growing diversity of philanthropic organizations have an impact on where they add value in the future?

2) Innovations in philanthropy: How to scale them up and contribute to national development priorities?

A commonly discussed advantage of philanthropic organizations is their focus on innovation, driven by financial independence and the ability to take risks. Increasingly motivated by a focus on results and social impact, philanthropic organizations continue to be willing to invest in projects using new approaches and technologies, and support scientific research. Many organizations have also experimented with providing seed money to leverage additional financing from other sources, for example, to encourage donors to assume responsibility in the long-term for projects supported by philanthropic organizations.

Many philanthropic organizations are applying principles and methods from the corporate sector to their own practices, usually referred to as “**venture philanthropy**” and driven by the belief that under-utilized philanthropic capital could be made available for development. A broad range of instruments, including loans, credit enhancements, equity-investments, and social bonds are being deployed, copying techniques from venture capital finance to reach under-served markets with great willingness to experiment. The approach is frequently characterised by strong engagement of donors in the projects and a focus on monitoring progress through built-in performance measurement, based on jointly agreed benchmarks for a medium-term time frame. The venture philanthropy approach also involves non-financial support, such as access to networks, coaching and mentoring.

“**Impact investments**” by philanthropic organizations are structured similarly to those of venture capital and aimed to generate measurable social and environmental impact alongside a financial return for below market to market rates. Such investments leverage the power of markets to create change, for example, by taking into account the environmental and social policies as well as governance of beneficiaries. This innovative approach is considered an important complement to traditional grant giving, helping organizations with proven business models to grow.

Early stage, philanthropic funding by individuals to ventures that blend return and purpose is also growing fast, when technologies make it easy to donate. People from around the world donate small amounts for development projects via mobile phone through so-called **crowd funding**. This form of investment makes it possible for small investors to pool money with an expectation of financial return. Through this modality, some 1.5b US\$ have been raised for over one million projects in 2011 alone.

Philanthropic organizations have tried to scale up successful projects and programmes by enlarging the scope of existing partnerships. Yet, many philanthropic organizations continue to lack the size, opportunities, enabling environment or entry points to scale up their activities. They may also lack the capacity to communicate their activities effectively to governments and the donor community as key partners for scaling up pilots and proved solutions.

Possible discussion questions:

1. What are key opportunities and challenges for philanthropic organizations in deploying innovative approaches to development?
2. How can philanthropic organizations effectively scale them up and replicate them in other contexts?
3. What is needed to ensure that innovative practices contribute to objectives set out in national development strategies?
4. How can governments and multilateral organizations help to leverage investments in support of innovative approaches to development?

3) Philanthropic organizations and development partnerships post-2015

Many philanthropic organizations campaign for the Millennium Development Goals (MDGs) and have entered into partnerships with other stakeholders to achieve them. Other philanthropic organizations have stayed away from global policy making, while pursuing agendas that greatly resonate with the spirit of the MDGs. Additional resources and new approaches by philanthropic organizations are considered critical to achieve the MDGs.

With the increasingly important role of private philanthropic foundations and other actors in supporting national development efforts, coordination at country level is emerging as a critical issue. This comes at a time of both intensive efforts to achieve the MDGs by 2015 and accelerating preparations for a post-2015 global development agenda.

Analysis of the partnerships of philanthropic organizations with each other and other actors at *country level* is still at an early stage. Anecdotal evidence suggests that many philanthropic organizations tend to work independently from other donors and do not frequently engage in joint programming. Many of them have no country presences and national networks of philanthropic organizations rarely exist. In some countries, activities of philanthropic organizations are regulated, and they are required to register with and report to the government. In case of implementing partners funded by both philanthropic organizations and other stakeholders, very different reporting requirements apply, leading to considerable transaction costs.

One option to strengthen country-level coordination could be to more systematically collect information on the types of partnerships and their impact. The participation of large philanthropic organizations in multi-stakeholder dialogue and coordination structures at country level seems to be welcomed, even though it has also been said that integrating philanthropic organizations in such structures may compromise their flexibility. Think tanks and networks of philanthropic organizations could continue to support such analysis.

At *global level*, large international philanthropic organizations have made strides in accounting for their activities. In 2011, the Bill & Melinda Gates Foundation started to report their concessional outflows to the OECD Development Cooperation Directorate. The Hewlett Foundation is signatory to the International Aid Transparency Initiative (IATI) and reports on annual forward-planning budgets. Together with the Open Society Foundation, it supports the Publish What You Fund initiative to improve aid transparency.

Broad participation in the formulation and eventual implementation of the post-2015 development agenda will be critical to achieving a representative, holistic agenda, capable of galvanizing broad international support. The global partnership for development, crystallized in Goal 8 of the MDGs, was instrumental in defining the MDG framework as a compact. Yet, important shortfalls remain in delivering on many of its aspects. Its lack of a robust monitoring and accountability framework to support implementation and ensure delivery on commitments is also seen as a major weakness.

A renewed global partnership for development could become a valuable mechanism for engagement of all relevant actors, including philanthropic organizations, in the implementation of a post-2015 development agenda. To this end, a critical assessment is needed how to best harness the respective strengths of the variety of philanthropic organizations.

Leading philanthropic organizations will benefit from a more structured engagement in this dialogue to position themselves as important players in development cooperation and to structure partnerships amongst themselves, as well as with member States and other stakeholders.

The United Nations ECOSOC Development Cooperation Forum (DCF) provides a unique platform to facilitate informal and frank exchange among the broad range of

development cooperation actors on how to renew the global partnership for development as well as strengthen multi-stakeholder partnerships at the country level. Philanthropic organizations are encouraged to participate in DCF High-level Symposia² to intensify their exchange with other stakeholders on this and other critical issues. The 2014 DCF will contribute to the United Nations-led discussions on the post-2015 global development agenda. It also provides an important entry point for other processes, such as the global partnership for effective development cooperation.

Possible discussion questions:

1. How can partnerships among philanthropic organizations and member States, multilateral organizations and other relevant development cooperation actors at country level be strengthened?
2. How do philanthropic organizations monitor progress and account for the impact of their work?
3. How can philanthropic organizations inform the shaping of the renewed global partnership for development that will be needed to support the implementation of the post-2015 global development agenda?
4. How would they like to see their practices for transformative change towards sustainable development reflected in the post-2015 development agenda?

² The DCF High-level Symposium on 6-7 June 2013 in Addis Ababa, Ethiopia will offer all stakeholder groups opportunities to caucus and exchange ideas on a renewed global partnership for development and a monitoring and accountability framework for the post-2015 development agenda.