

Foundation resources for development

2014
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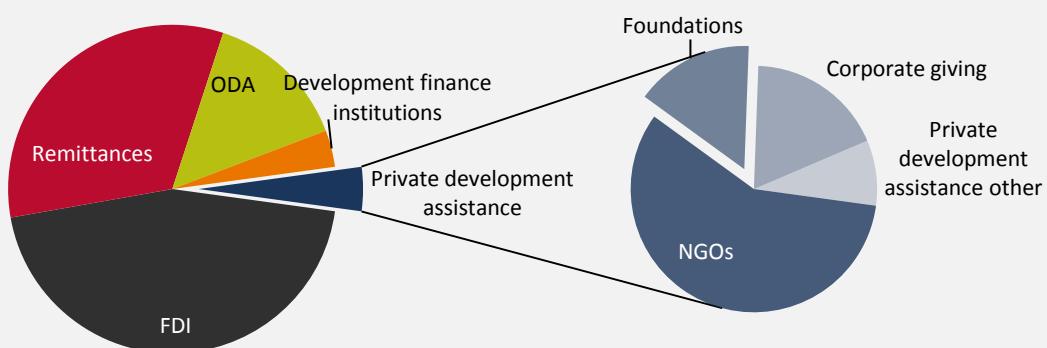
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Development Initiatives exists to end absolute poverty by 2030

Understanding the resource landscape

Private development assistance (PDA) is an international resource given voluntarily from private sources, and transferred across borders for international development and poverty reduction. PDA comes from non-governmental, foundations, and corporate giving. It is equivalent to approximately a third of official development assistance (ODA) and a tenth of foreign direct investment (FDI) to developing countries.

Resource flows to developing countries with PDA provider breakdown, 2011



Source: Investments to End Poverty (2013)

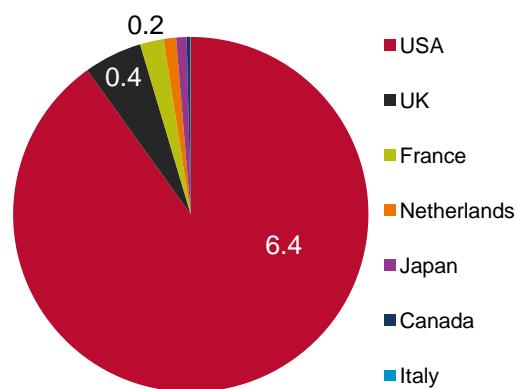
Note: "Other" refers to PDA that cannot be allocated to a type of provider

Foundations deliver at least US\$7 billion in private development assistance – mainly from the US

PDA from foundations based in seven countries is estimated at US\$7.1 billion in 2011, or 16% of total PDA. Some 90% of this was from the US. Data specifically on foundation spending on international development is lacking for many countries, including Switzerland, Germany and Sweden. For these countries, spending by NGOs and foundations could not be disaggregated.

The type of PDA from foundations varies from simple grant-making to establishing offices in developing countries for policy advocacy activities. Foundation finance usually originates from a high

Foundation private development assistance by source country, 2011, US\$ billions



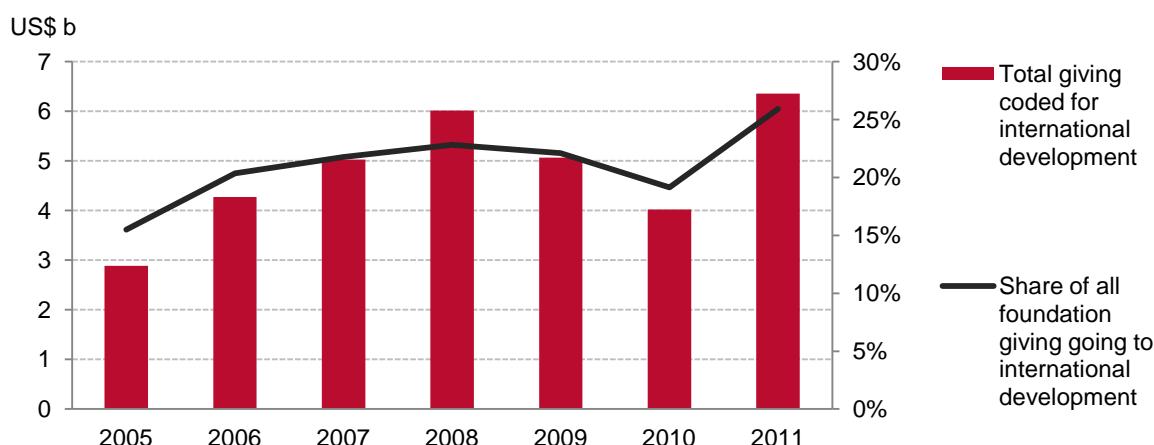
Source: Investments to End Poverty (2013)

net-worth individual, often the founder, while finance from corporate foundations may be sourced from that company's profits.

Private development assistance from foundations increased by half between 2006 and 2011

PDA from 1,330 US foundations reporting to the Foundation Center totalled US\$6.4 billion in 2011, up from US\$4.0 billion in 2010. US foundation giving grew by 49% between 2006 and 2011. A fall in amounts in 2009 and 2010 may be due to the global financial crisis. The share of this total giving going to international development purposes is growing, reaching 26% in 2011. The proportion of US foundations awarding at least one international grant also increased from 57% in 2008 to 60% by 2010.¹ In the UK, international development funding from foundations increased from 5% of their total funding in 2004 to 9% in 2009.

US foundation to international development, US\$ billions, and share of total giving by US foundations



Source: Foundation Center (US), Development Initiatives calculations

Large foundations are growing in visibility and influence

The important role played by foundations in development is increasingly recognised. Larger foundations are comparable to official donors in terms of budgets and influence. For example, in 2012 the Bill & Melinda Gates Foundation was the second largest donor to health, after the Global Fund, larger than the US. The Bill & Melinda Gates Foundation is also the second largest donor to basic nutrition, after Canada.

The 10 largest foundations account for about 60% of international foundation giving. But international grant-making portfolios in the scale of several million dollars remain atypical among foundations. Beyond the US most foundations have no overseas activities, and operate within national borders.

¹ Foundation Center 2012, International Grantmaking update.

Foundation funding tends to go to ‘more developed’ developing countries

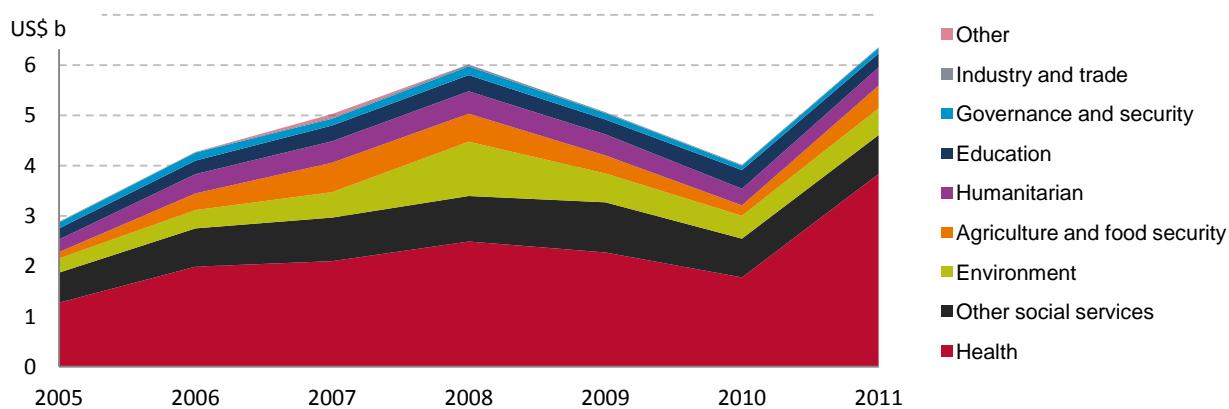
Foundation giving to international development is often channelled through other bodies, such as global funds or NGOs.² In 2011 US foundations gave more of their international funds to recipients overseas than at home – for the first time since 1998. Organisations in developing countries received 15% of international development funding. India, China, Mexico and Brazil were among the largest recipients. Among developing countries, foundation giving goes mostly to the more developed countries.³ World Bank research has found that foundation giving is more concentrated and less poverty-focused compared with ODA, and recent data suggests this trend is likely to continue as foundation funding is attracted to more mature markets.⁴

Foundation funding tends to go to global institutions or vertical funds rather than government systems or directly to communities. In 2011, three institutional recipients received a third of all US foundations’ international development funds (US\$1.9 billion): the Global Alliance for Vaccines and Immunisation, the Global Fund, and the World Health Organisation.

Foundations have a strong health sector focus

Foundations have varied interests, but often specialise in a few specific sectors. Some 60% of US foundation funds went to the health sector in 2011, compared with 6.6% from DAC bilateral donors.⁵ The Bill & Melinda Gates Foundation and the Clinton Global Initiative are both highly focused on health, with the former spending 54% of its grants on health activities and 18% on reproductive health in 2012.⁶

US foundation private development assistance by sector, US\$ billions



Source: Foundation Center (US), Development Initiatives calculations

² OECD 2007, Financing Development: aid and beyond, OECD 2008, Financing Development: whose ownership?

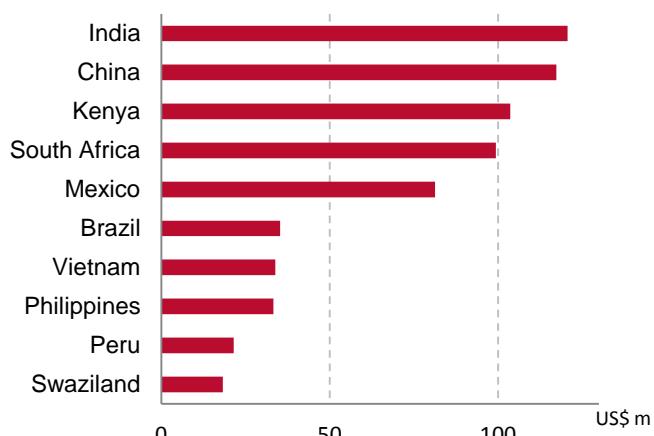
³ Bellagio Initiative 2011, Philanthropy: current context and future outlook, the Resource alliance and International Development Institute.

⁴ World Bank 2007, Philanthropic foundations and their role in development, OECD Net FWD 2014 Venture philanthropy in development: dynamics, challenges and lessons in the search for greater impact.

⁵ Percentage of sector allocable aid 2011 for DAC countries, CRS.

⁶ OECD CRS Private grants 2012.

Top 10 developing country recipients of US foundations, US\$ millions, 2011



Source: Foundation Center (US)

Social services, the environment and agriculture/food security also are high foundation international priorities. The Bill & Melinda Gates Foundation and the Wellcome Trust are important funders for research in agriculture and science respectively. Health and education are the sectors that attracted most international funding from UK foundations in 2009/10.

Foundations play a key role in domestic philanthropy in fast-growing economies

There are very little data on foundation funding crossing the border from developing countries. Most grants are allocated locally. International giving from Asian foundations is limited due to cultural and religious traditions that favour local philanthropy.⁷ The Middle East also has a strong philanthropic tradition, but data on transfers of these resources are not available.⁸ Domestic philanthropy is an important resource for poverty reduction in Brazil, South Africa and India that exhibit growth in national resources and individual wealth.⁹ Foundation networks and philanthropic events show the importance of local giving. These include WINGS in Brazil, *Fondos a la Vista* in Mexico, the World Congress of Muslim Philanthropists and the African Philanthropy Forum. The African Grantmakers' Network also shows that foundations are rising within the continent, especially in South Africa, Kenya, Ghana, Nigeria and Egypt.¹⁰

Better data on foundations is key to effective resource allocation

Greater clarity over PDA and other international resource flows and domestic resources is needed for better allocation decisions. Better data and information on foundations globally, not just within DAC member countries are vital for understanding the value of foundation funds in ending poverty. The European Foundation Centre and national initiatives such as the US Foundation Center and the Japan Foundation Center provide some of the best data available on foundation funding. But this is often difficult to combine with other data.

Like aid in general, Foundations' giving to international development is also often channelled through other bodies, resulting in a high risk of double counting.¹¹ These problems could be overcome if more foundations reported their funds in more detail, for example to the International Aid Transparency Initiative (IATI). Six foundations report to the IATI standard already, including the Bill & Melinda Gates Foundation. Publishing to the IATI standard will be an important way of achieving greater understanding on where foundation funds are going and their impact on poverty reduction.

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⁷ World Bank 2007, Philanthropic foundations and their role in development.

⁸ World Congress of Muslim Philanthropists.

⁹ Hudson Institute (Russia), McKinsey (Brazil), Trialogue (South Africa), Bain (India).

¹⁰ Africa Grantmakers network.

¹¹ OECD 2007, Financing Development: aid and beyond