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Philanthropy: Current Context

Issues, Actors and Instruments

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Executive summary

This report attempts to provide an overview of philanthropy and the 'philanthropic eco-system' that has evolved over the recent decade. Special focus of the report is on international development philanthropy.

It is relatively broad in scope and aims to be of use for all practitioners in the fundraising and philanthropy field. However, it cannot claim to be exhaustive and to cover each one of the examined topics sufficiently. Its aim is to raise questions and provide a basis for discussion first and foremost.

The special focus on international development philanthropy brings certain challenges with it, as it is a topic that is not easily summarised in a couple of bullet points and conflicting opinions are as present as in any discussion that deals with the interaction of the developed and developing world, and especially the emancipation of the developing world from the 'North'.

Non-profit sector resources

Our analysis will show that, while the importance of philanthropy for the non-profit sector overall (areas such as health, education, housing, international development) is smaller than expected, it is the dominant source of income for those non-profit sector organisations which are internationally active.

International development philanthropy
Latest data for the year 2011 suggests that philanthropic resources for international development causes were in excess of $56 billion, thus constitute a considerable stream of 'private' money. However, not surprisingly, philanthropic resources make up a much smaller share compared to official government development assistance, or remittances.

Remittances, as it turns out, have moved out of the shadow of being 'migrant money sent home' to become a potential force of good. Their degree of impact on the home country is to a large extent dependent on the home country's government's determination to reduce the money transfer rates. By reducing rates, additional money for those migrant families can be freed up. The World Bank is actively pursuing change in that area with the 2nd World Diaspora Forum having taken place in July 2012.

Instruments
Domestic governments can further introduce additional instruments and leverage the $ billions that have been saved by migrants abroad by introducing diaspora bonds or other financial 'buy-in' instruments, thereby allowing diaspora communities to invest into their home communities easier. The idea has been raised that issuance of these kind of social impact bond instruments could be done by a trusted intermediary organisation instead of the home government, as trust in administrative bodies is often lower than in large, international NGOs.

Large NGOs, domestic governments of developing countries or 'Northern' countries and their aid money – a very diverse landscape of multiple actors has emerged. Overall, the paradigms that have dominated international development assistance and philanthropic effort have significantly changed, and have been constantly challenged over the last years, too, as the Bellagio 2011 Summit concluded. This provides a moment of great opportunity for innovating.

Actors and their cooperation

The extraordinary role the non-profit sector plays for international development results in a set of multiple actors which need to cooperate better. Philanthropic resources for development are dominated by U.S. foundations, which channel their giving primarily through global funds, rather than directly to developing countries. Only a small number of foundations have offices in the world's poorest countries, however, increased collaboration with local grant-making institutions can be seen.

Examining the multiple actors and their degrees of collaboration, the Bellagio 2011 Summit has reflected on the possible roles these actors can play, and pointed out the distinctive contribution of these different roles.

Philanthropic expenditure of European foundations is far lower compared to their U.S. counterparts, despite holding more assets on average. International involvement by European foundations is estimated to be around half a billion dollars. Italian foundations have the largest aggregated assets in Europe, while Britain leads the way by a huge margin in terms of average size of a grant (domestic and international grants combined).

Foundations have – in contrast to non-governmental organisations and governments – often quite specific interests and a different focus to 'just' supporting humanitarian causes, and private money can, depending on its relative size, impact on for instance the health or educational landscape of the whole recipient country – for good or bad. The entry of the Bill & Melinda Gates Foundation was a game changer both in terms of the size of grants given and their relative concern with the long term impact of their money. Besides new billionaires forming a new 'philantrocapitalism' movement, philanthropic actors themselves are slowly changing, with new (and female) philanthropic actors and young entrepreneurs seeking high engagement in philanthropic endeavours and a tangible impact.

In the U.S., corporations have given *$14.6 billion to charity in 2011*, which manifests the smallest share out of all private giving (other: foundations, individuals, bequests). Recorded corporate giving usually includes not only cash, but also in-kind donations (products and management time) which, essentially, boost the overall 'recorded' amount while disguising the minor role that multi-billion dollar corporations play in many parts of the world.

The majority of giving in Brazil, for instance, happens through corporations, and entrepreneurs play a crucial role for the support of communities across the country. However, it should be noted that corporate philanthropy – similar to philanthropy by foundations – does imply a specific focus and agenda (by the company founder, chairman, board or shareholders) which might lead to the exclusion of funding for 'controversial' issues like human rights, certain disease prevention, race or gender relations.

Domestic philanthropy

BRICS countries – such as Brazil, India, China and South Africa – are seeing growth in domestic but also international philanthropy, and especially local philanthropic actors. The notion of reliance on local organisations and players, instead of waiting for foreign money to come in, has created thriving philanthropic landscapes with unique characteristics and particular opportunities.

Impact assessment and impact risk

With the maturing of philanthropic players and the ever faster increase in available sources and funding, i.e. global wealth, the call for transparency of funding and accountability grew louder. Continued giving requires proof of sustainable impact and donors have become more demanding, and more knowledgeable. Expert papers following the Bellagio 2011 summit have been discussing ways to help philanthropists more accurately assess and manage risk and thereby optimise their decision making, and the impact of their action.

Risk was a theme running throughout the Bellagio 2011 Summit, as the published Aide-mémoire highlighted. Although many participants of the Bellagio workshops acknowledged a common assumption that the philanthropic sector can take risks where others cannot (because of endowments and independence), the sector is perceived to be often as risk averse as others. The Aide-mémoire recommended balancing a calculus of risk versus opportunities and assessing risk at the strategy and portfolio level rather than at the individual project level.

Balancing risk versus opportunities means that ideally a philanthropic organisation diversifies its portfolio, and risk, by choosing high and low-risk projects. Assessing risk at the strategy and portfolio level further means that the types of projects funded need to be carefully chosen, and not just the beneficiary/ grantee to be identified and scrutinised but also the process that would need to be established to create the desired impact.

New philanthropy

Not only in transitional countries and emerging economies have new types of philanthropy flourished and evolved but also in the developed world and the so called 'North'. A new breed of philanthropic actors, new financial techniques and a new micro-level approach both domestically and abroad have resulted in a rather new landscape of philanthropy. Regarding international development, innovations have been triggered by exactly those three changes: 1) new philanthropic actors searching synergies with business, and the emergence of a new type of institution, the social enterprise, 2) the implementation of new financial techniques and 3) a new micro-level approach that focuses on communities as level of action.

Microfinance has successfully gone through different stages of developing from a loan instrument into a whole set of inclusive financial services, and a current new instrument is likely to go through a similar process much faster – impact investing. Impact investing is putting money into a fund which aims at generating returns for the investors while investing into business ventures with a positive social impact (for instance seeds or water irrigation technology for small scale farming). Impact investment instruments have potential for good returns and assets have been estimated to be worth $400 billion and more.

While experts stress that impact investing funds are not the silver bullet and more of a complement to traditional philanthropy, impact investment funds are successfully supporting business models at the micro-level in developing countries while working their fund at a profit and return for investors. However, impact assessments, i.e. procedures that allow evaluating the business model of a social enterprise, and therefore naturally form the basis of any 'social investment', have certain shortcomings which are difficult to eliminate – many especially smaller institutions struggle with showing their long term impact. The key problem seems to be that while a philanthropist's horizon and funding 'milestone' is usually two to three years a non-profit organisation often can give only 'piecemeal' impact demonstrations within those first years.

The Bellagio 2011 summit highlighted that – as long as the impact assessment might be limited during the first years – a way of reducing the risk of failure (=no impact) is by scrutinizing and understanding the process that would need to be established to create the desired impact, i.e. understanding players, barriers and opportunities.

Large organisations are much more capable of developing, using and/ or implementing new ways of measuring the impact of their programmes, and industry experts stress that larger players should lead the way in doing so in their field of activity. There is no doubt that a global or at least multi-national framework will be established based on current efforts and pilots such as the UK Charity Foundation's information portal. Caution should always accompany these evaluation efforts, and qualitative assessments (in contrast to quantitative) of programmes should probably outweigh those attempts.

Based on findings from the desk research and insights from interviews with five philanthropy and fundraising experts, the following recommendations on how to leverage existing philanthropic endeavours can be made:

1**) Engage in political advocacy:** Many experts who were consulted for this report have highlighted the necessity for philanthropists to advocate for change more prominently. Political campaigning, lobbying and advocacy is crucial for NGOs, too. For high impact NGOs, simply delivering a good service is not enough; they need to campaign for political action if they really want to drive massive social change.

2) Seek to collaborate more often: Social change is a multi-sector undertaking – requiring cooperation between business and central government, local government and NGOs and everyone in between. It is proven to work and it generally works with more impact as institutions are able to achieve systemic change. Engaging in advocacy and lobbying as described above also extends to the business world. NGOs and philanthropists with a social change agenda are advised to 'make markets work' (for them). Successful non-profits do not rely on traditional giving, but instead work with businesses, generating income and support links where possible.

'Those institutions most sensitive to their stakeholders are the ones that will live.

Philanthropy Expert, Australasia

The biggest obstacles for more collaboration between business, government, NGOs and philanthropists are preconceptions of the other players involved, as well as the bureaucratic hurdles and budgetary (time) constraints of the public sector. When looking at developing countries in particular and collaboration between players within the eco-system of development philanthropy, the frequent power imbalance between donor and grantees needs to be addressed. In particular, to avoid a donor-driven agenda, which – in the worst case – ignores the NGOs unique strengths and also weaknesses, local players need to be consulted. Existing power imbalances between (often) foreign players and local players can be addressed by consulting local advisory boards, setting up completely independent boards in a particular country or having local players sitting on the foundation board. Key is to 'change the conversation at board level'.

The Bellagio 2011 Summit has summarised this in its Aide-mémoire as pursuing a more people-centred approach and that new philanthropic approaches needed to be more explicit about the values on which they are based.

3) Develop and strengthen local facilitators: Collaboration not only faces limitation through personal (and agenda-linked) motivations and systemic hurdles (for instance bureaucracy) but also the (multi-actor related) problem of speed and scale. Successful social innovations have spread only slowly, if at all. In business, entrepreneurial firms that do might grow fast; but social entrepreneurship does not yet have a Microsoft or a Google. With encouragement from the state and other leading players, social entrepreneurs' best ideas can be spread faster and wider. grantmaking institutions in developing countries, ideally the first point of contact for foreign actors, need to massively scale up their efforts to develop local philanthropy, NGOs and non-profit networks.

4) Include the stakeholders in decision-making process: Examining the best practice cases for collaboration as well as those where obstacles could not be overcome and the initiative failed subsequently, one aspect emerges as the key for long lasting impact: community involvement. Numerous practitioners, recent research as well as best practice examples underline the necessity for collaborating either with local NGOs, the community or community foundations to make sure the whole initiative gets as close as possible to its actual stakeholders and recipients respectively.

Furthermore, development experts have highlighted that the whole process of community involvement has to clearly move beyond mere 'consultation' and 'involvement' and towards 'inclusive decision making' instead.

Community input is what all initiatives in the area of 'social change philanthropy' have in common. Community input into the grant-making process is a consistent thread across recent social change programmes, and while most of those funds are quite small, their impact is extended through collaborative processes that provide benefits beyond the grant dollars.

Benefits beyond the grant dollar is what unites these many different actors with very different roles, and the Bellagio 2011 Summit concluded that the inherent power lies in recognising these different roles and their contribution – roles including convening, exploring, listening, piloting, incubating, catalysing, investing patient capital, investing risk capital, leveraging, scaling, empowering, and incorporating feedback, research, advocacy and training.

Methodology and scope

This report is based on extensive desk research and a second phase of substantiating those findings through five in-depth interviews with leading philanthropy experts.

Philanthropy is a vague and broadly used term that includes different money flows for different people. Therefore it is necessary at the outset to present a conceptual discussion of what the term 'philanthropy' includes, and what is covered in this report.

Philanthropy is generally defined as the 'provision of private resources for social purposes'. Philanthropy generally excludes government aid, government grants or government donations, thus sources of philanthropy are usually categorised as individuals, foundations or corporations.

In some cases, this report refers to philanthropy as 'private giving' which implicitly refers to those three aforementioned sources.

This report presents and examines three types of financials flows, those that are clearly included in philanthropy (grants from individuals, foundations and corporate charitable giving), those that clearly aren't (e.g. foreign direct investments) and those that are in a grey area and generally a source of contention (such as remittances, membership dues to religious organisations as well as government's official overseas development assistance).

Private resources, as part of the above definition of philanthropy, can mean private money but also personal time. A country might have a striving philanthropic landscape consisting entirely of volunteers running essential services such as elderly care in their free time.

When looking at academic research and other available sources, the two most important *distinctions in defining the scope of philanthropy,* and the size of the non-profit sector respectively, are whether membership fees to religious institutions are included and whether the number of volunteers working in the non-profit sector is counted. Countries aim to have a striving philanthropic movement and sector because it looks good, and is admirable.

Religious giving is in many countries a major contributor to day-to-day welfare services, however based to a large extent on fees from their members and does not represent 'targeted' giving. Secondly, the issue of volunteering and whether figures on the 'economic impact' of volunteering are included or not makes a huge difference for some countries in regards to the 'quantifiable size' of their non-profit sector and philanthropy.

Philanthropy in this report is understood as individual giving, foundation giving or corporate giving. In some cases, this report refers to philanthropy as 'private giving' which implicitly refers to those three sources if not mentioned otherwise. For more definitions, see the list on pages 11-12.

Data on philanthropy still relies to a very large extent on estimates. This report has based its mapping exercise mainly on two datasets. The first set is the single most extensive dataset on the global civil society sector from the Centre of Civil Society Studies (CCSS) at the Johns Hopkins University (Washington, DC U.S.). However, while its figures allow a clear overview of the civil society sectors of particular countries, it cannot be easily broken down into domestic and international philanthropy. For a closer look at philanthropy with international development focus a second dataset was used, the Hudson Institute's Centre for Global Prosperity's (Washington, DC U.S.) annual report on *Global philanthropy and remittances* 2012. This report constitutes the most recent attempt to estimate the size of international philanthropic giving. Other datasets used were mainly sourced from the OECD and the World Bank. All sources are indicated accordingly.

All $ figures in this report are U.S. $ unless otherwise stated. The primary research for this report (i.e. interviews) has been conducted between June and July 2011 while all figures and graphs displayed have been updated since to incorporate 2012 data.

Definitions and abbreviations used

Philanthropy – Generally defined as the 'provision of private resources for social purposes'[1]; philanthropy generally excludes government aid, government grants or government donations, thus sources of philanthropy are usually categorised as either 1) individuals, 2) foundations and 3) corporations; in some cases, this report refers to philanthropy as 'private giving' which implicitly refers to those three aforementioned sources

Philanthrocapitalism – A term referring to a new type of philanthropist (and their charitable giving arms) who donates multi-million dollar grants to development causes in a very strategic manner with long-term impact a key consideration

Domestic philanthropy – Strategic giving to causes/institutions in the homeland or resident country of an individual, foundation and/or corporation, usually with the purpose of supporting domestic causes. Even within a country with an extensive network and infrastructure of international organisations, a certain share of domestic philanthropy still accounts for international giving (as international organisations fundraise domestically and 'give' abroad)

International or overseas philanthropy – Strategic giving to causes/ institutions abroad or domestic institutions which deal with international development initiatives

Private giving – See above 'philanthropy'

Individual giving – Giving by individuals in contrast to grants or donations by foundations or corporations

Private financial flows or private money flows – Usually refers to money streams into developing countries that are somehow accounted but not official government aid transfers, i.e. remittances (explained below) philanthropy or foreign direct investments (explained below)

Bilateral aid/ money flows – Bilateral in this context refers to money flows between (two) particular governments in contrast to 'official government assistance' (explained below), which often goes through multilateral aid agencies such as the United Nations programmes

Non-governmental organisation, or NGO – A non-profit organisation independent from any government, organised on a local, national or international level

Social enterprise – A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners

Remittances – Transfers in cash or in kind from migrants to resident households in their countries of origin. Usually these are ongoing transfers between members of the same family, with persons abroad being absent for a year or longer. Remittance data are taken mostly from credits to the balance of payments data file of the International Monetary Fund as reported by central banks. Most central banks use remittance data reported by commercial banks, but leave out flows through money transfer operators and informal personal channels. Formal channels include money transfer services offered by banks, post office banks, non-bank financial institutions, and foreign exchange bureaus and money transfer operators

Diaspora savings – Savings by migrants in either cash or bank accounts held in either their resident country or their homeland

Diaspora giving – Share of remittances that is given to charitable causes; difficult to quantify

Backyard or ad-hoc giving – Donations of small amounts mostly in cash or in-kind donations given to charities and community groups or even individuals

Diaspora stock – The number of members of a diaspora community, e.g. all Mexicans living in the U.S.

Organisation for Economic Cooperation and Development, or OECD – Group of 34 (highly) developed countries that engage in economic cooperation and development

Development Assistance Committee, or DAC – Group of 23 countries within the OECD that engages in joint international development efforts

Foreign Direct Investment, or FDI, or Foreign Capital Investment – Investment that is made to acquire a lasting management interest (usually 10% of voting stock) in an enterprise operating in a country other than that of the investor (defined according to residency), the investor's purpose being an effective voice in the management of the enterprise. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as show in the balance of payments. FDI includes inter-company debt (Source: World Bank, Global Development Finance 2006; Washington, DC U.S.)

Official Development Assistance, or ODA – Grants or loans to countries and territories on Part I of the DAC List of aid recipients (developing countries), which are: a) undertaken by the official sector; b) with promotion of economic development and welfare as the main objective; c) at concessional financial terms [if a loan, having a grant element (q.v.) of at least 25%]. In addition to financial flows, technical co-operation (q.v.) is included in aid. Grants, loans and credits for military purposes are excluded. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted (Source: OECD, DAC Glossary)

Gross Domestic Product, or GDP – The sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products (Source: OECD)

Gross National Income, or GNI – GNI is GDP less net taxes on production and imports, less compensation of employees and property income payable to the rest of the world plus the corresponding items receivable from the rest of the world (in other words, GDP less primary incomes payable to non-resident units plus primary incomes receivable from non-resident units) (Source: OECD)

Center for Civil Society Studies, or CCSS, at the Johns Hopkins University (Washington, DC U.S.) – Research centre that examines the global non-profit sector

Center for Global Prosperity at the Hudson Institute (Washington, DC U.S.) – Research institute that publishes an annual report on overseas philanthropy and remittances

Introduction

Structure of the report

The first section of the report intends to provide an estimate of the total amount of financial assistance that flows from the more well-off to the less well-off countries – i.e. covering philanthropy but also individual government's official development assistance, migrant remittances, etc. (section heading 'Resources of the civil society sector', page 15).

At this point, it is important to point out the difficulty – both conceptually and practically – of separating domestic from international philanthropy. This occurs both in the non-profit world – when foundations provide grants to domestic non-profits that then use these funds for international purposes – and in the government sector, when governments provide either grants or contracts to domestic non-profit organisations.

Furthermore, this report will mainly look at so called 'institutionalised' philanthropy, with the sole reason for that being the availability of data. It is worth noting at this stage that a rather large share of philanthropy is unaccounted for.

Section 2 of the report will closely examine private foundations and their international involvement (section heading 'Segmentation of players', page 38) looking at the split between individuals, foundations and corporations based on U.S. and EU data sources.

The third part of the report focuses on innovation in the Philanthropy arena and a future outlook, incorporating both desk research findings and the insights from in-depth interviews (section heading 'New philanthropy', page 66).

Change, not charity

As *The Economist* magazine put it earlier this year, 'Will all that giving by the billionaires and the thousands [...] with far smaller amounts of money, actually do any good?'[2] The crux with all the money lies in the fact that with increasing resources come players, too – resulting in a more or less crowded 'market place' for development. At the same time, the challenges in global development have never been greater.

From a philanthropist's perspective, these challenges have triggered a new phase of philanthropy. To underline this new phase, Judith Rodin, the current president of the Rockefeller Foundation, has split philanthropy into three phases: 'Philanthropy 1.0' refers to the scientific philanthropy of Carnegie and Rockefeller. 'Philanthropy 2.0' refers to the shift, after the Second World War, to building institutions such as NGOs and civil society organisations. In 2007, Rodin predicted a new phase: 'Philanthropy 3.0' in response to the effects of globalisation.[3] This new phase of philanthropy could be described as a shift from 'correcting for' to 'connecting to' the market and represents a change not only in focus but also in logic.[4]

Whether the rhetoric of 'Philanthropy 3.0' and the phenomenon of 'Philanthrocapitalism' has lead to widespread changes in practice within the sector is open to debate but it is hard to reject the fact that philanthropy has increased both in value of donations as well as the sheer number of transactions, players and targeted causes.

Some researchers suggest that the way we give, work and live might be fundamentally reshaped. 'Business', as Maximilian Martin put it, 'will move beyond a sheer focus on profit and philanthropy will move beyond grant-making'. Martin sees a new form of organisation and economy evolving which he calls 'Impact Economy'.[5] Several businesses exist which operate profitably, however not entirely for profit only, (such as for instance the Acumen Fund, see more on 'Impact investing' on page 69). However, it remains to be seen whether these kinds of ventures are becoming widely used investment vehicles.

From a local, regional or global perspective, the entry of the Bill & Melinda Gates Foundation into the national and international arena of giving has raised the bar significantly in two key areas: one is the size of their endowment, and second is their focus on long term involvement and impact.

With government spending under tremendous pressure and new global challenges (environmental, social and political) as pressing as ever, the opportunity and need for intermediary players between business and government will only rise. The key trends that are being repeatedly discussed and underline this idea of a 'new era of civil society' include:

- Growth in global individual wealth
- Global threats such as climate change, water scarcity and continuing inequality
- Social innovation and a new type of giving (social enterprises, social investing)
- A further withdrawal from aid and charitable causes by governments, which requires more private wealth unlocked
- Changes in the global power structure (at a nation state and governmental level) and a reshuffling of 'who gives what'.

Philanthropy, in general, has the potential to scale up regarding

A The instruments used,

B The areas of involvement and

→ Through A + B

C Its potential impact on society and philanthropy becoming an 'instrument of social change'

These major trends are occurring within a global eco-system of philanthropy characterised by enormous fragmentation, unequal power relationships, and therefore volatility. New actors, new channels and new instruments call for legitimisation and accreditation and, even more importantly, for new models of collaboration between too often unequal partners.

The last bullet point above – philanthropy becoming an instrument of social change – is a concept we will explore further in this report. 'Social change philanthropy', is a specific term used to describe grantmaking that aims to address the root causes of social and economic inequalities. This report will highlight several examples of such philanthropic actors and institutions, and will scrutinise related concepts throughout the report.

Section 1: Resources of the civil society sector

Key findings:

- Philanthropy contributes a much smaller share to the total non-profit sector (all areas: social services, health, culture, international development, etc.) than commonly understood
- However, for non-profit organisations active in international development, philanthropic money was the No1 source of revenue (38%) in the early 2000s and has increased ever since
- Game-changing investments into internationally operating NGOs have been made over the last decade
- The growth in the number of NGOs and the emergence of new philanthropic players in development has implications on cost and efficiencies – as an increase in actors from different backgrounds increases the cost of cooperation
- For less developed countries, private funds and non-governmental initiatives play a vital role for welfare services and poverty alleviation. Compared to those countries, the United States, the UK and others with highly developed and thriving non-profit sectors rank relatively low based on their share of philanthropic revenue for the total sector (e.g. U.S. 13%; UK 9%; Japan and Germany 3%; see Table 17, Appendix).

Philanthropic contributions to non-profits smaller than thought

Institutionalised players such as for instance foundations are generally, as will be shown over the following pages, contributing less to the non-profit sector activities of a country (both domestically and internationally) than commonly anticipated.

The evaluation approach of the Johns Hopkins Centre for Civil Society Studies (CCSS) identifies the sources of funding of non-profit institutions across the world, i.e. funding broken down by 1) government, 2) philanthropy (individuals, foundations or corporations) and 3) fees and charges received through membership dues and sales of services.[6]

The Johns Hopkins CCSS project and its findings based on data from the early 2000s allows to estimate – although data is neither complete nor entirely up to date – the size of the global non-profit sector and to identify the role which philanthropy plays at a national level across the surveyed 34 countries.

CCSS data for 40 countries indicates that non-profit institutions represent $2.2 trillion in operating expenditures.[7] ‘Private philanthropy’ has an estimated share of 14%. Other sources of funding are government (36%) and fees and charges (50%).[8]

A key finding from the CCSS data is that philanthropic contributions (donations, gifts, grants) of individuals, foundations or corporations are much less important for the non-profit sector in any of the surveyed countries than previously thought.

Philanthropy's 14% share includes giving to charitable causes both domestically and overseas, which further underlines the overall minor role of philanthropic giving for the non-profit sector. However, since 2000, new philanthropic players have entered the arena or simply stepped up their game considerably – pursuing both domestic and international agendas of aid and development.

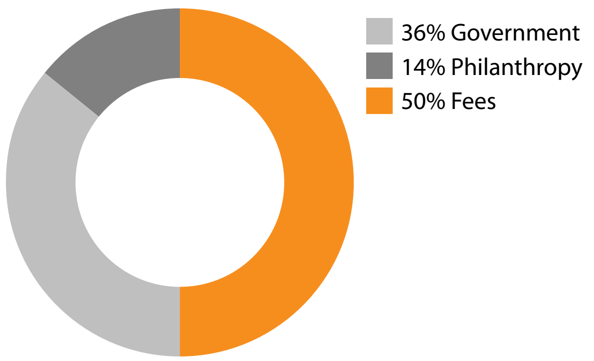
Table 17 in the Appendix provides a breakdown by country, therefore allowing a closer look at developing vs. developed countries. It reveals that overall the civil society sector is relatively larger in the more developed countries. The CCSS team has concluded that 'the civil society organisation workforce in the developed countries is, on average, proportionally more than three times larger than that in the developing and transitional countries. This is so, moreover, even when account is taken of volunteer labour and not just paid employment'. This relatively limited presence of civil society organisations does not, of course, 'necessarily mean the absence of helping relationships in these countries. To the contrary, many of these countries have strong traditions of familial, clan or village networks that perform many of the same functions as civil society institutions.'[9]

As the CCSS concludes in its 2004 analysis: 'Civil society sector development has taken a somewhat different course in the developing and transitional countries of Africa, South Asia, the Middle East, Latin America, and Central and Eastern Europe. In some respects, the development of the civil society sector in these countries has been more robust in recent years than in any of the other regions covered here, the product of expanding communications technologies, frustrations with state centred approaches to development and new efforts to empower the rural poor. Despite this, however, civil society organisations still engage a smaller proportion of the economically active populations in these countries than in the more developed regions of the world.

One reason for this may be the rural character of these societies and the resulting retention of traditional forms of social assistance relying on clan and family relationships rather than voluntary organisation. To the extent that such relationships still operate, the need for more institutionalised structures, whether formal or informal, is reduced. With historically small urban middle class populations and large numbers of marginalised rural poor as well as modern authoritarian political regimes, these countries have not historically provided a fertile soil for the growth of civil society institutions'.[10]

Besides the lower than all-country average volunteer component as well as the lack of paid employees in these countries' civil society sector, another distinguishing feature is the relatively low level of government support available to the sector. Therefore, as shown in Figure 1, even with volunteer time included, fees remain the dominant source of civil society organisation revenue. According to Table 18 in Appendix, this is the case for 18 of the 34 countries. 'What is more, the developing and transitional countries continue to head this list, with an average of 50% of their income from fees, compared to only 34% among the developed countries'.[11]

Figure 1: Sources of non-profit revenue, (34 country average)



Source: Johns Hopkins University (CCSS), Comparative Non-Profit Sector Project (2010)

Philanthropy the dominant source for international NGO

The second relevant finding of the CCSS study is that despite philanthropy's limited role for the overall non-profit sector, it is the dominant revenue source of income in two non-profit fields, religion and international assistance. In international assistance, government support is a very close second (34% from government vs. 38% from philanthropy).[12] Table 1 further clarifies how the actual revenue in each area is sourced. Overall the trend is to an increased share of philanthropy as revenue source for the non-profit sector compared to a decrease in resources from governments.

Table 1: Sources of non-profit revenue, (33-country average), revenue source by area

33-country average	Government	Philanthropy	Fees
Religious	14%	53%	33%
International	34%	38%	28%
Foundations/Philanthropic intermediaries	15%	33%	52%
Environment	29%	30%	41%
Civic and Advocacy	33%	26%	40%
Social Services	43%	19%	38%
Culture/Recreation	20%	15%	65%
Health	50%	14%	36%
Development/Housing	30%	13%	57%
Education	38%	12%	50%
Professional/Union	6%	5%	89%

Source: Johns Hopkins University (CCSS), Comparative Non-Profit Sector Project (2004)

Philanthropy as a revenue source for the non-profit sector compared across countries reveals a striking difference in relative size and importance of philanthropic money for non-profits. The overall size of the non-profit sector for the years around 2000 was approximately $1.3 trillion. Table 17 in the Appendix lists 34 countries researched in the CCSS project and countries are ranked by the percentage share that philanthropic resources constitute for their non-profit sector. This ranking method automatically lists less developed countries at the top. The non-profit sector in developing countries is traditionally smaller than in developed countries mainly due to less government support, therefore private funds and non-governmental initiatives play a more vital role for welfare services and poverty alleviation. Compared to those countries, the U.S., the UK and others with highly developed and thriving non-profit sectors rank relatively low based on their share of philanthropic revenue for the total sector (e.g. U.S. 13%; UK 9%; Japan and Germany 3%).

One key point that the CCSS project has outlined is the size of the volunteer force in a particular country and its impact on the overall size and (economic) value of the sector. Table 18 in the Appendix shows the same countries as in Table 17 but including the monetary value of volunteer time. The result of incorporating the volunteer force is that several countries rise in the ranking compared to their position in Table 17. For an economic evaluation of philanthropy of a particular country, volunteers and their time spent for a cause needs to be taken into account. Table 18 also underlines that the U.S. is by far not the country with the most active volunteer force. The impact of volunteer forces for particular countries will be examined in more detail in the next chapter.

Conclusion

While the importance of philanthropy for the non-profit sector is smaller than expected, it is the dominant source of income for international NGOs. The extraordinary role the non-profit sector plays for international development has certain implications for the cooperation between actors – in the area of overseas development, NGOs join forces with government agencies and businesses – which is an issue that will be explored further throughout this report.

Questions to explore

There is a lot more research to be done to illustrate the power of individual giving as compared to government aid. A lot of it goes uncounted and probably always will. In Pakistan, which is known to be a nation of very charitable people, private giving by ordinary citizens was estimated to be five times the amount of international aid grants coming into the country around the year 2000.[13]

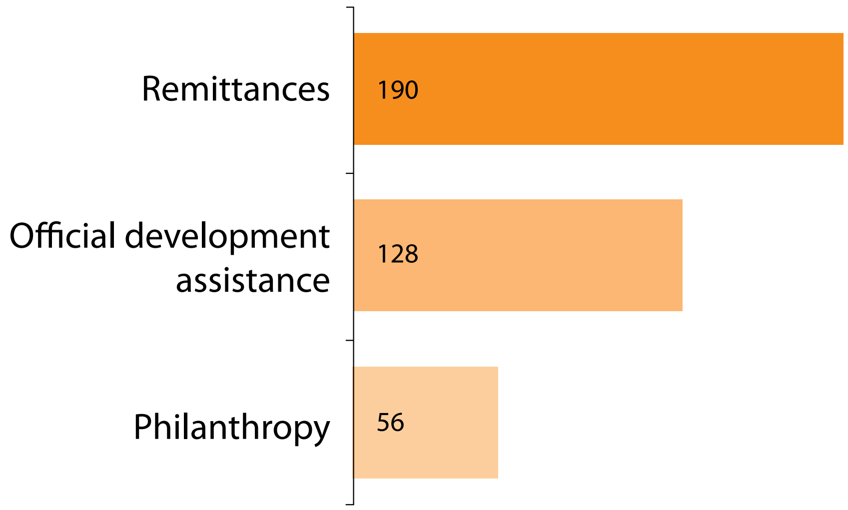
The account of the non-profit sector over the previous pages as well as upcoming chapters is in most instances limited to an analysis of the volume of resources and focuses less on the actual usage of funds. For further analysis, it would be most conclusive to evaluate operations on the ground more closely. Research has underlined that large amounts of the non-profit funds are used up for salaries and there is rarely enough money for capital improvements, which goes a long way in explaining why non-profits have a hard time keeping up with technology for instance.

Section 2: International development philanthropy

Key findings:

- Lack of coherent reporting procedures limits the amount of available data
- International development philanthropy is estimated to be approximately $56 billion (for 23 major world economies, in 2010)
- The UK and the U.S. are leading players in private giving to overseas causes (individuals, foundations and corporations) due to their particular history and culture of giving as well as the number of charities working in overseas aid
- Beyond the actual volume of giving, the usage of funds is crucial – with the concept of leverage of existing funds and the question what impact funds can have – if channelled right – being at the heart of the debate.

Figure 2: Philanthropy, Government Official Development Assistance and Remittances to the developing world, $ billion, 2010, (Base: OECD countries)



Source: Hudson Institute for Global Prosperity: The Index of Global philanthropy and Remittances 2012

Private giving to overseas causes

Over the following pages, the most recent research report that attempts to map overseas philanthropy – the *Index of Global philanthropy and Remittances 2012* by the Hudson Institute for Global Prosperity – is scrutinised.[14]

Data on private giving to overseas causes is patchy and Anglo-Saxon countries are usually providing the clearest accounts. As a result, the Hudson Institute firstly looks at the global philanthropy landscape through a North American lens and secondly, due to the challenges in data collection in other regions, reduces its sample of countries to OECD/DAC member states.[15]

The 2012 report by the Hudson Institute, now in its seventh year, estimates total philanthropy, while underestimated because many DAC donor countries are still not properly measuring it, to have been $56 billion in 2010 which represents their latest available data and a gain of $3 billion from the previous year.

Shortcomings of the Hudson Institute analysis

The report by the Hudson Institute unfortunately has not only issues of a reduced sample but also certain methodological shortcomings. Having said that the Hudson Institute does not claim its analysis to be exhaustive and comprehensive and is the only institution that attempts to put a figure on global philanthropy money flows.

The Hudson Institute analysis firstly neglects to take into account the impact of volunteering for all countries except the U.S. and thereby understates the true value of global philanthropy.[16] Secondly, the general focus on DAC donors only does not represent an adequate sample for the analysis of overseas aid anymore as non-DAC donor states have entered the aid arena with sizable aid flows outside of the DAC scheme.[17] Thirdly, it includes religious giving for the U.S. in its definition of 'philanthropy' but is less much clear on this regarding the other countres.

We will briefly elaborate on religious contributions. When comparing the Hudson account of U.S. private giving with those of other countries, one has to take into account that European countries have a very different religious landscape. Several countries for instance collect church taxes. In the case of Germany, this adds approximately €9 billion each year. The German church tax is not obligatory (so not a tax in the real sense) but can be considered as a membership fee to the Protestant (2009: €4.4 billion) and Catholic Church (2009: €5 billion) and therefore constitutes a particular type of religious giving.[18]

The $37.5 billion of U.S. philanthropy to developing countries includes nearly $14bn of religious giving.[19] Therefore, as a 2008 McKinsey report also pointed out, the billions in German church taxes are another variable that has to be taken into account when comparing philanthropy globally. The German example represents a unique way of 'religious giving' comparable to the billions of American dollars that are given to religious organisations active overseas.[20]

The figures on private giving reported to the OECD by its member states (used for the Hudson Institute 2011 report) are supposed to include any private funds given to overseas activities of any non-governmental organisation, thus include religious institutions, too. Nonetheless, these figures reported to the OECD fall short of a full account of this 'Continental European' model of religious giving, as there is no universal framework implemented for reporting these numbers. 'Religious giving' through church taxes does not only apply to Germany but also to Italy, Spain, Sweden and Finland.

Based on the above outlined shortcomings of the Hudson Institute's analysis it helps to at least display the importance of volunteer time for a few selected European countries. Table 2 on the next page displays the figures from CCSS with and without the financial value of volunteer time to illustrate the strong effect it has and how different the effect is between countries. Within Western European welfare systems volunteering forms a major pillar of the non-profit sector and – if taken into account – would boost the value of that sector considerably. CCSS analysis has revealed that the economic value of philanthropic sources to the non-profit sector rises by nearly 100% for Sweden when volunteering time is considered. For Norway and France, the value of philanthropy rises by around 70%.

Taking into account the aforementioned limitations of the Hudson Institute dataset and considering the value of volunteer time included for all countries, the actual value for international development philanthropy of this subset of selected countries is expected to be in excess of $56 billion.

Conclusion

Giving by individuals, foundations and corporations to overseas causes – in excess of $56 billion – constitutes a considerable stream of money to developing countries. In the following section, this stream of money will be put into context with other significant money streams.

Table 2: Share of philanthropy as source of revenue of non-profit sector, selected countries *

	Revenue share of Philanthropy excl. volunteer time	Revenue share of Philanthropy incl. volunteer time	% change
Sweden	9%	54%	+96%
Norway	7%	47%	+75%
France	8%	47%	+73%
Germany	3%	36%	+51%
Finland	6%	35%	+44%
Netherlands	2%	24%	+28%
Spain	19%	36%	+27%
Australia	6%	24%	+23%
Austria	6%	23%	+22%
Italy	3%	20%	+21%
Belgium	5%	18%	+16%
Ireland	7%	19%	+14%
Japan	3%	11%	+9%

Source: Johns Hopkins University (CCSS), Comparative Non-Profit Sector Project (2004)
* Note: This includes domestic and international philanthropy

Other international money flows

Official Development Assistance by governments

Key findings:

- Cost of coordinating aid activities of multiple actors and donors have skyrocketed
- Overseas aid by OECD member states has remained flat in 2009
- Government overseas aid has evolved and the 'club' of 22 traditional sovereign donors that form the DAC (Development Assistance Committee) can no longer claim to speak for the world's donor (and aid) community, neither can multilateral aid agents such as the United Nations agencies
- While the role of multilateral aid agencies is changing (due to increasing bilateral aid flows), the relationship of philanthropy and aid has been changing, too. The distinction between donor and recipient government is much more blurred that it once was
- Government's overseas aid as a per cent of their country's gross national income differs significantly between countries, with the Scandinavian and various much smaller countries (Belgium, Luxembourg or Ireland) leading the field ahead of major world economies such as the U.S. or Germany.

Overseas aid by OECD member states has slightly risen in 2010 after having remained flat the previous year

Official Development Assistance (ODA) from all member states amounted to $128 billion in 2010, which was an increase of nearly 7% in real terms (accounting for inflation and exchange rate movements) from $120 billion in 2009. Overseas aid as per cent of Gross National Product (GNI) differs significantly between countries and Scandinavian countries are continuing to lead by huge margins.

As in previous years, the U.S. remains the largest donor by volume, with $29.9 billion in ODA in 2010. Together with France, Germany, the United Kingdom and Japan – as seen in previous years – the U.S. counts as the top five contributors. Total ODA for these five nations only amounted to $81.1 billion or 63% of total DAC assistance in 2010 (2009: 62 %). Sub-Saharan Africa received the largest portion of total aid at $43.8 billion, followed by Asia with $36.7 billion. The regional distribution of aid remained similar to the previous year.[21]

Table 3: Official Development Assistance by OECD member states, 2010

Country	ODA as % of GNI (years 2000 – 2009)	ODA, $bn (2010 preliminary estimate)
Sweden	0.92	4.2
Norway	0.91	4.2
Luxembourg	0.88	0.4
Denmark	0.87	2.9
Netherlands	0.8	6.6
Ireland	0.48	1
Belgium	0.47	3.1
Finland	0.41	1.4
France	0.41	13.5
Switzerland	0.4	2.2
UK	0.4	13.5
Total DAC countries	0.4	128
Austria	0.36	1.2
Germany	0.33	13.3
Spain	0.33	6.2
Canada	0.29	4.5
Australia	0.28	3.1
Portugal	0.28	0.7
New Zealand	0.26	0.3
Japan	0.22	10.6
Italy	0.19	3.3
Greece	0.18	0.5
United States	0.16	29.9
Korea	0.07	1

Source: OECD Statistical Annex, Development Co-operation Report 2011 (most recent data)

'There are too many agencies, financing too many small projects, using too many different procedures.'

Article in The Economist 'The future of aid', 4 September 2008

Table 3 however clearly shows that the U.S. in terms of their share of Official Development Assistance within Gross National Income (GNI) are outplayed everyone except Korea. However this does not take into account a new trend which has been highlighted in the 2012 Global Human Assistance Report, the trend for an increasing number of countries to channel Humanitarian and Development Aid through its Defence Force. The American Army plays a vital role in several parts of the world in building, infrastructure but also emergency relief which is not reflected in ODA figures.

Germany as the most powerful economy in Europe (and world's No3 by nominal GDP) falls clearly behind its potential development assistance with being below average (see 'Total DAC countries' average in middle of list, Table 3) and behind France, Switzerland and the UK as well as much smaller and economically less powerful countries such as Belgium, Finland and Denmark.

Government overseas assistance is not longer DAC-centric

ODA, as measured and accounted for by the DAC member states, turns out to be a poor benchmark for the emerging global public policy enriched with new objectives, actors and instruments.[22] The non-DAC official development flows are of significant size, too. In 2010 (latest available data), those non-DAC countries which still report their annual overseas assistance to the OECD reported a total of $7.2 billion (Table 4). However, several countries that provide development aid are not captured appropriately. While the objectives, actors and instruments have evolved, the approach to measure government development aid hasn't.

Nevertheless, even for those states not longing to become part of the exclusive OECD club but rather continue sending development aid overseas as and when it suits, the multilateral route seems to have become an acceptable alternative.

In the past research by the Overseas Development Institute (ODI) suggested that non-DAC donors which are engaging in a growing number of countries would have a strong preference for bilateral aid over multilateral channels.[23]

This preference for bilateral routes reflects a view that aid is part of a deeper, mutually-beneficial partnership. It also stems from a desire for visibility, and for aid to be delivered in a timely manner, the authors remarked. Non-DAC donors have not seen multilateral contributions as offering these advantages in the past.[24]

A significant player in the ODA arena but not DAC member such as Saudi Arabia has, between 2009 and 2010, increased its multilateral aid from $209 million to $609 million while the bilateral aid remained flat although high, at $2.9 billion (total of $3.48 billion as per Table 4). A similar picture evolves for the United Arab Emirates where the bilateral budget fell by more than half whereas the multilateral increased.

Table 4: Non-DAC Donors' Net ODA Disbursements, Constant 2010 Prices, $billion, 2004 - 2010

	2004	2005	2006	2007	2008	2009	2010
All states, total ODA *	4.4	4.2	5.9	6.5	9.0	6.8	7.2
Bilateral % of total	88%	84%	88%	90%	91%	84%	76%
Chinese Taipei (Taiwan)	0.49	0.55	0.57	0.53	0.43	0.42	0.38
Cyprus	0.00	0.02	0.03	0.04	0.04	0.05	0.05
Czech Republic	0.15	0.18	0.20	0.19	0.23	0.21	0.23
Estonia	0.01	0.01	0.02	0.02	0.02	0.02	0.02
Hungary	0.09	0.12	0.18	0.10	0.10	0.12	0.11
Iceland	0.02	0.02	0.03	0.03	0.04	0.04	0.03
Israel	0.10	0.11	0.10	0.11	0.14	0.13	0.14
Kuwait	0.19	0.25	0.18	0.11	0.28	0.22	0.21
Latvia	0.01	0.01	0.01	0.02	0.02	0.02	0.02
Liechtenstein	0.00	0.00	0.00	0.02	0.02	0.03	0.03
Lithuania	0.01	0.02	0.03	0.05	0.05	0.04	0.04
Malta	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Poland	0.17	0.25	0.34	0.36	0.32	0.39	0.38
Romania	0.00	0.00	0.00	0.00	0.12	0.15	0.11
Saudi Arabia	2.03	1.17	2.26	1.60	4.88	3.16	3.48
Slovak Republic	0.04	0.08	0.07	0.07	0.09	0.07	0.07
Slovenia	0.00	0.04	0.05	0.06	0.06	0.07	0.06
Thailand	0.00	0.00	0.08	0.07	0.17	0.04	0.01
Turkey	0.50	0.78	0.91	0.65	0.76	0.78	0.97
United Arab Emirates	0.57	0.58	0.87	2.50	1.24	0.84	0.41

Source: OECD
* Note: Bilateral and multilateral

The rise of the non-DAC states as 'official' aid giving countries

In 2010 major natural disasters in Haiti and Pakistan had wide-ranging effects on the collective humanitarian response, driving up overall international spending by 23% over the previous year as the 2012 Global Humanitarian Assistance Report (GHA) reports.

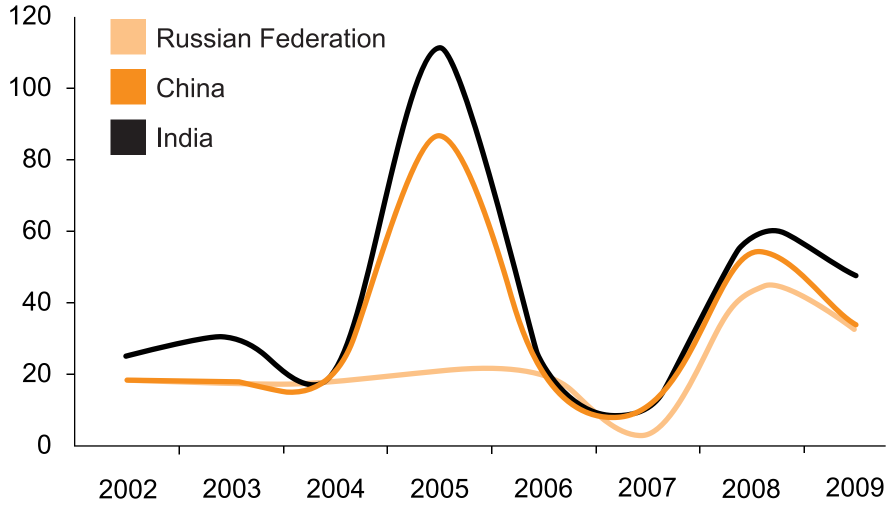
By 2010 the participation of a number of governments outside the DAC had become increasingly prevalent and, as the GHA's 2010 report stated, some non-DAC governments may have been providing aid for many years however their contributions are difficult to count because they do not fit the definitions, concepts or systems determined by the DAC group. 'The response to the Emergency Response Fund (ERF) following the Haiti earthquake demonstrates this phenomenon – of the 27 contributing governments only three of them were DAC donors and of the remaining 24 countries all but four received humanitarian aid themselves in 2008'.[25]

The GHA examines that the situation in 2010 was in many senses exceptional and concludes in its 2012 report 'that the scale of global humanitarian crises abated in 2011, with 12.5 million fewer people targeted to receive humanitarian assistance in the UN consolidated appeals process (CAP), and a further drop of 10.4 million in the expected numbers of people in need of humanitarian assistance in 2012.'[26]

Humanitarian aid from non-DAC donors suffers the same characteristic as any other humanitarian contributions, i.e. big year-on-year fluctuations, as the chart below for Russia, China and India suggests.

However, not all the annual fluctuations are due to large contributions from a single donor. In 2005, at least 75% or U.S. $477 million of humanitarian aid from non-DAC donors was given by 91 countries in response to the Indian Ocean earthquake-tsunami (peak in previous Figure 3).[27] Figure 3 displays Russia, China and India as the BRIC countries' contribution over the timeframe 2000 – 2009 while Brazil (as No4 in the BRIC group) is missing due to not supplying the same figures to the relevant body.[28]

Figure 3: Russian Federation, China and India as non-DAC donors, 2000-2009, total humanitarian aid, $million



Source: Global Humanitarian Assistance report 2010, own analysis

Taking emergency response donations out of the equation, the only sizable overseas involvement by China is generally through infrastructure programmes, especially in Africa.

China's aid to Africa has been the subject of recent debate. As Severino and Ray describe, because of the type of aid instruments it uses, it is extremely difficult to assess what would count as ODA were China to become an official DAC-donor. What is clear, however, is that Beijing has today become one of the major contributors to the financing of infrastructures in Sub-Saharan Africa.

Regarding China's role in Africa it is hard to draw a line. As Tim Odgen described, 'Western aid, and criticism of China's role in Africa, has often been far too paternalistic – dictating to African countries what they need and how to pursue "their" goals'. However, Odgen concludes, 'the deals that are struck are often just with the executive branch of a government' and because of a coherent lack of transparency there is reason to be concerned 'that the deals being struck by China are not only not symbiotic with Western aid but may ultimately be undermining Western philanthropy's investment in good governance and human development'.[29]

Costs of coordinating new aid activities have skyrocketed

As previous sections have shown, it is not only the measurement tools that are outdated, but also the sheer number of new actors, acting separately from each other instead of cooperating, that threaten to make aid flows inefficient. As Severino and Ray note, 'the costs of coordinating the activities of multiple stakeholders with differing agendas have skyrocketed over the last decade. A 14-country survey showed that Cambodia receives an average 400 donor-missions per year, Nicaragua 289 or Bangladesh 250, imposing a considerable strain on recipient countries that are not all equipped to cope.'[30]

The Economist reported in 2008 that 'Little Eritrea, for instance, deals with 21 official and multilateral donors, each with their own projects, budgets and ways of operating. Uganda has 27. That is normal. According to the OECD, 38 poor countries each had 25 or more official donors working in them in 2006. The number of aid projects financed by bilateral donors has skyrocketed from 10,000 to 80,000 over the past ten years'.[31]

In some cases, the gains from having more actors involved are outstripped by the losses that stem from policy incoherence and coordination costs. 'This is stereotypically the case in crisis or post-conflict settings where international actors abound, but local government capacities to coordinate them are low', Severino and Ray conclude.[32] New actors do not only involve new governments that stepped into the aid arena, such as China or Brazil, but also private actors such as the Bill & Melinda Gates Foundation.

Attempts to channel these various streams of new money from new actors, and thereby decrease the volatility of funding and the cost of coordinating, have proven to be partly successful with new financial tools such as setting up (multi-national, multi-actor) funds, otherwise known as 'pooled funds'.[33] Pooled funds have emerged as a significant tool for a wide range of humanitarian actors – yet the majority of funding is provided by a relatively small group of donors. The UN's pooled funds rely on the support of three main donors – the United Kingdom, Sweden and the Netherlands. In 2008 and 2009, these three donors represented just over 60% of the funding from the top ten donors.[34]

> *'Fragmentation is the opposite of effectiveness.'*
>
> **Lennart Bage, Head of the International Fund for Agricultural Development**

Conclusion

New countries have emerged as aid donors outside of the group of official DAC/ OECD donors which affected the role and impact of the traditional multilateral agencies, too.

Whilst the role of multilateral aid agencies is changing, so are the dynamics between philanthropy and international development. There is a movement away from one-off grants and gifts towards philanthropy serving as an instrument of social change. While there are many who would argue that social justice philanthropy or social change philanthropy is a particular philanthropic approach/framework that has been practiced in developing countries for a long time, it has nevertheless taken a new form with the increased cooperation between business and entrepreneurs, society and government. Before these new types of philanthropy are examined any further, a closer look is given to the second largest stream of money flowing into developing countries, remittances. The aim is to understand the philanthropic share of remittances ('Diaspora giving') and the potential of (untapped) diaspora savings, too.

Remittances

Key findings:

- Remittances belong to the 'grey area' of money streams to developing countries that are not explicitly 'philanthropic'
- Remittances to developing countries in 2011 were an estimated $372 billion, up 12.1% over 2010
- Global (recorded) remittances are forecasted to grow to $467 billion by 2014
- A subset of remittances is given to charity
- Reduction in the cost of sending remittances would generate a net increase in income for migrants, estimated at $15 billion
- Reduction of cost has proven to work in the case of Mexico and the Philippines, and many other countries have pledged to work on a reduction, too
- Diaspora communities are, despite having direct financial impact on their homelands, of important non-financial use regarding knowledge and networks.

Remittances are important to take into account when looking at the newly evolving landscape of global streams of finance to developing countries. This importance is due to their considerable size, as well as the fact that a small subset of remittances is for diaspora giving, i.e. of philanthropic nature, as recent research suggests.[35]

'There's also a qualitative aspect to remittances. When overseas workers come into the Philippines, they are met with marching bands! The residents will come out – especially around Christmas – and receive returning overseas workers.'

Philanthropy Expert, Asia

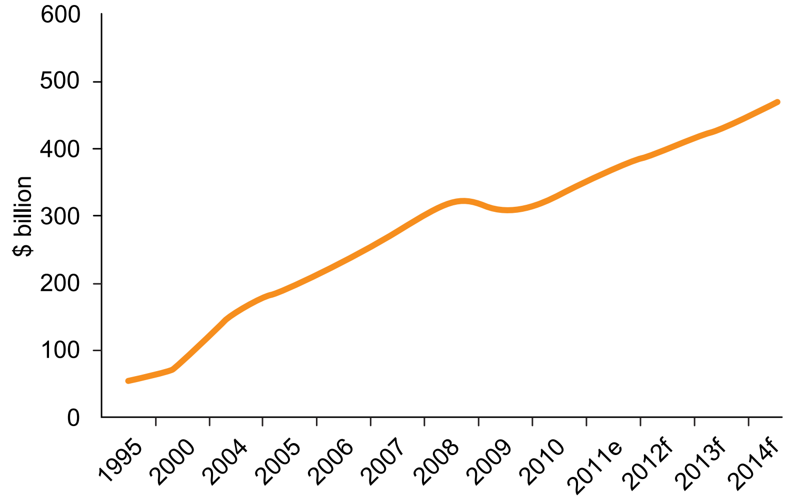
Remittances – i.e. money sent to their homeland and relatives by migrants – represent the largest source of foreign exchange for numerous countries and make up a considerable share of its GDP for many other countries.[36] However, remittances should not be considered as an act of 'charity'. Remittances are instead private transactions and, for reasons of national accounts etc. should be treated by governments like any other source of private income. However, due to their immense size and their importance for several of the emerging economies, the correct accounting of remittances has been widely discussed over the last years.[37] The latest World Bank report suggests that:

- More than 200 million people live outside of their countries of birth
- One of the 'major issues surrounding migration' is how to enhance its development impact (including that of remittances)
- Remittances amounted to 1.9% of GDP for all developing countries in 2009, but were nearly three times as important (5.4% of GDP) for the group of low-income countries
- Remittances to developing countries are expected to grow at lower but more sustainable rates of 7-8% annually during 2011-13 to reach $404 billion by 2013.

Remittance flows are large and resilient.

Figure 4 depicts the growth in the global remittance flow, its resilience in the wake of the global financial crisis, its recovery in 2010 and forecasted figures until 2014. The total flow of remittances is much more stable than foreign aid or foreign investment because the income and number of migrant workers changes slowly.[38]

Figure 4: Global remittance inflows to developing countries, in $ billion, 2000-2014 (forecast)

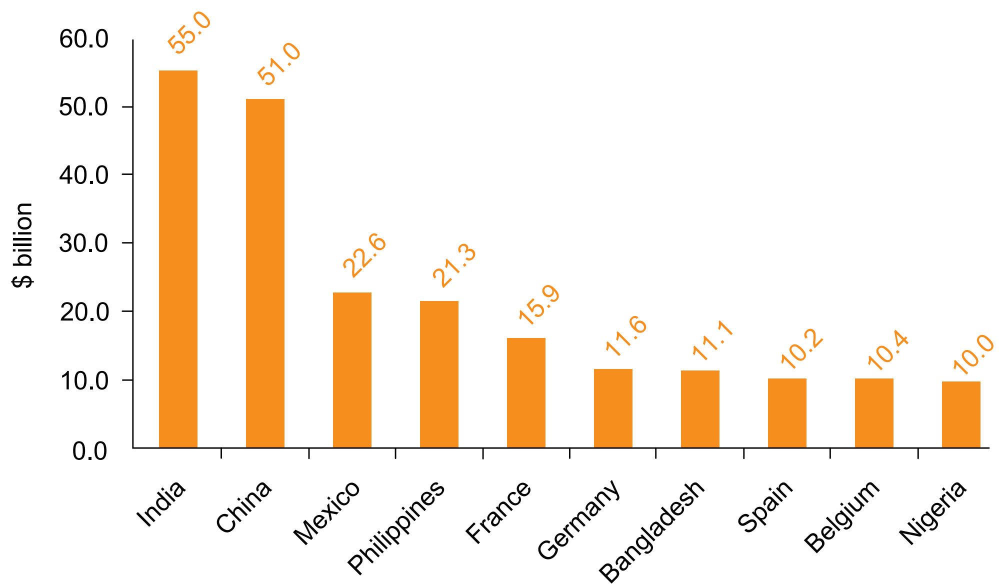


Source: World Bank, Migration and Remittances Data

The Latin American diaspora community living in the U.S. is estimated to have the largest diaspora savings in U.S. Dollars due to the relatively higher incomes of migrants in the U.S. compared to other so called ‘corridors’. Comparing all countries, Mexico is estimated to have the largest diaspora savings ($47 billion) while in terms of remittances inflows (see Figure 5) Mexico is estimated to be in third place worldwide after India and China.[39] Available data on diaspora communities and their estimated $ savings will be scrutinised in greater detail from page 33 onwards).

> *‘Communities in developing countries tend to be a little bit more dependent from external resources rather than looking at internal ones. Waiting for the remittances to come defeats the whole purpose of community empowerment.’*
>
> **Philanthropy Expert, Africa**

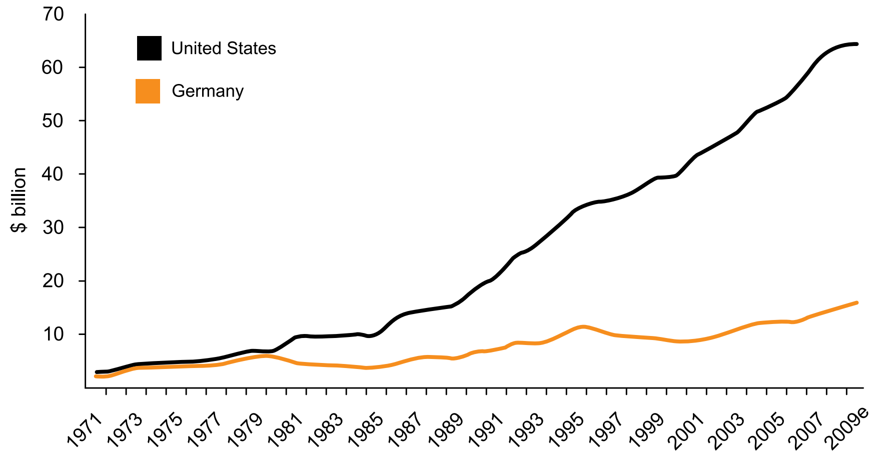
Figure 5: Remittances inflows top ten countries, worldwide, in $billion, 2010



Source: World Bank (2011), Migration and Remittances Data

Figure 6 displays *how* different the remittance outflows from two highly developed countries can turn out to be, depending on their history, geographical location and migration policy especially. The foreign-born population in the U.S., i.e. those who are mainly sending remittances, is projected to rise to 48 million by 2025 and 60 millon by 2050.[40]

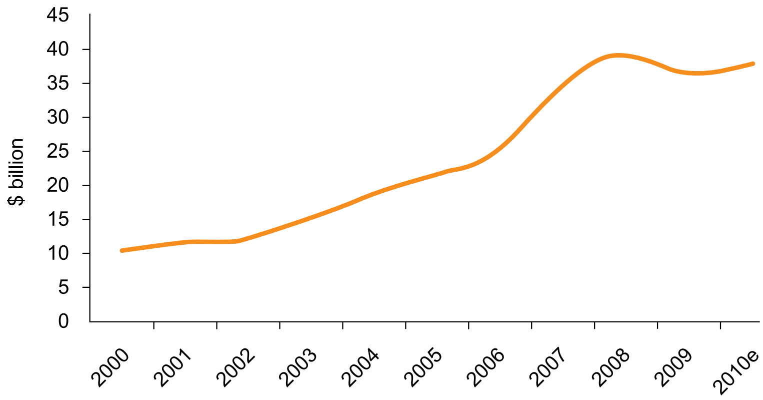
Figure 6: Remittances outflow from the U.S. and Germany, in $billion, 1971 - 2009



Source: World Bank (2011), Migration and Remittances Data
* Year 2009 is a World Bank estimate

Figure 7 displays the continuous upward trend of sending money home for the 53 African states. The clear and steep rise from 2005 onwards can be explained with North Africa still being one of the three top emigrant regions besides Eastern Europe and Latin America.[41] At the peak of the global recession a noticeable but remarkably short blip occurred. Nigeria, as seen in previous Figure 5, has Africa's largest inflow of $10 billion thus makes up for around 1/3 of all African diaspora inflows in 2010.

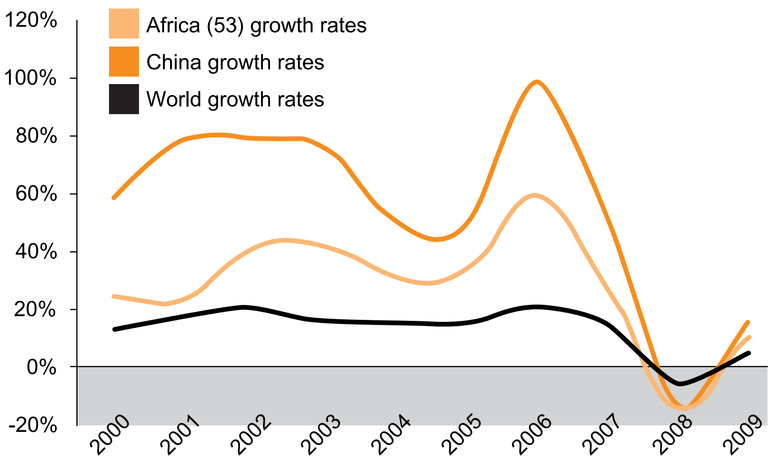
Figure 7: Africa (53 states) remittances inflows, in $billion, 2000 – 2010



Source: World Bank (2011), Migration and Remittances Data

Across two regions – Africa and China (Figure 8 below is also showing the world average) – remittances growth rates reveal a similar trend. Remittances from China are most accentuated. Recovery back to positive growth has started as early as beginning of 2009, which further underlines the remarkable resilience of remittance flows.

Figure 8: Recorded remittances inflows to Africa, China and World average, year-on-year % growth rates, 2000 - 2010



Source: World Bank (2011), Migration and Remittances Data

A subset of remittances can be considered philanthropic

So far, only the volume of remittances has been presented. Their uses, however, are varied. Remittances can be directed towards individuals but also social funds. Further, remittances have other non-financial uses. The diaspora community can be important in shaping opinions at home, directing how the funds are spent, and have impact on government, business, and the non-profit sector.

Mark Sidel, professor at the University of Wisconsin, writes that ‘in general terms, the vast majority of remittances to Asia cannot be considered social investing or social philanthropy. But a subset of remittances – extremely hard to quantify – is indeed for diaspora giving.’[42] Sidel further outlines how that giving has started to become more strategic in its investment targets. Sidel points out that while philanthropy by migrants has become an emerging driver of development in some areas of India, southern China, the Philippines, and certain areas of Bangladesh, it could not be concluded that these drivers are in fact strategic and focused on social change or long term development to a significant extent.[43]

Improvement of remittances flows

Analysis by the World Bank has shown that common issues with remittances are that they are usually expensive, sometimes slow, sometimes inconvenient and occasionally unreliable.[44] While reportedly two-thirds of African governments do not collect remittance data (2007),[45] the World Bank’s latest initiative – the Global Remittances Working Group (GRWG), founded in 2009 – monitors progress in the areas of reporting on the cost of worldwide remittances while lobbying governments to work harder to lower these costs, too. As the World Bank concluded in 2009:

1. In many remittances corridors the cost of sending remittances is still high relative to the often low incomes of migrant workers and their families

2. Reduction in cost would generate a net increase in income for migrants and their families in the developing world, estimated at $15 billion.

In light of this, GRWG has promoted the *5x5 objective*, with the aim to reduce the average cost of sending remittances globally by five percentage points over five years. In July 2009, at the L´Aquila summit, the G8 Head of States endorsed the *5x5 objective* and made a pledge ‘to achieve in particular the objective of a reduction of the global average costs of transferring remittances from the present 10% to 5% in five years through enhanced information, transparency, competition and cooperation with partners’.

There are a few success stories. Mexico and the Philippines managed through government initiatives and strict regulation to reduce their average fees to around 6% each (compared to a global average cost of sending remittances fees of 10%).[46] For many other countries the average charges on sending $200 is still much higher than 10%.[47] In the case of some inter-African corridors, such as sending $200 from Tanzania to Kenya, the interest is nearly 25% ($47.24 total charge for every $200 as of June 2011).[48]

During 2011, the World Bank issued several books related to migration, including *Leveraging Migration for Africa: Remittances, Skills, Investments* and two companion volumes on *Diaspora for Development of Africa* and *Remittance Markets in Africa*.[49]

Conclusion

The World Bank’s GRWG initiative is highly informative especially for those governments which have large diaspora communities, as any improvement on the rates bears potential for the country-of-origin government to free up private capital. A share of remittances can become an instrument of development. However, to a large extent remittances will always remain within families unless a new form of trusted and locally routed recipient institution emerges. NGOs with strong ties to a diaspora community could potentially fill that gap and a) foster remittances levels and b) encourage people to give not only to their families but also to charitable causes if the remittance fees can be more conducive to diaspora communities.

Diaspora savings – ‘moving forward, giving back’

Key findings:

- Annual diaspora savings of developing countries, i.e. savings of migrants, are around $400 billion in 2010
- Diaspora savings as share of GDP estimated to be 2.3% in the middle-income countries and as high as 9% in the low-income countries
- Diaspora giving is considered to be still more ad-hoc than strategic
- Global diaspora savings can be a potential market for diaspora bonds: through the issuance of such diaspora savings bonds, considerable wealth can be tapped for the origin countries’ development.

Diaspora communities – described by the motto ‘moving forward, giving back’ by the World Bank’s Global Diaspora Forum 2012 – are communities of migrants with strong ties to their homelands. Diaspora savings are savings by those migrants in either cash or bank accounts held in either their resident country or their homeland, and this chapter examines the potential these savings hold for development.

The region with the largest estimated diaspora savings is Latin America and the Caribbean ($116 billion) followed by East Asia and Pacific ($84 billion), Europe and Central Asia ($73 billion) and South Asia ($53 billion). The estimated diaspora savings for Sub-Saharan Africa is $30.4 billion, and for the African continent including North Africa is nearly $53 billion.

Table 5: Resource flow from all countries to developing countries, $bn, 1995 – 2009

	Diaspora stock (millions)	Diaspora savings estimate 2009 ($ millions)	Diaspora savings as % of regional GDP
Developing countries	161.5	397.5	2.4
East Asia and Pacific	21.7	83.9	1.3
Europe and Central Asia	43.0	72.9	2.8
Latin America and Caribbean	30.2	116.0	2.9
Middle East	9.3	18.9	3.5
North Africa	8.7	22.3	4.3
Sub-Saharan Africa	21.8	30.4	3.2
South Asia	26.7	53.2	3.3
Low income countries	27.7	34.4	9.0
Middle income countries	133.8	363.1	2.3

Source: World Bank, Migration and Development Brief 14, February 2011
Diaspora stock is the estimated number of global migrants living outside of the country
Source: Author’s calculations using the World Bank’s Migration and Remittances Factbook 2011 and World Development Indicators

One of the reasons why the Latin America region has the largest diaspora savings is that its migrants are mostly in the U.S. and Western Europe, and have relatively higher incomes on average than migrants in other corridors. However, when expressed as a share of gross domestic product (GDP) of the origin countries, diaspora savings range from 1.3% in East Asia and Pacific to 4.3% in North Arica.[50]

The countries with the largest estimates of diaspora savings include Mexico ($47 billion), China ($32 billion), India ($31 billion) and the Philippines ($21 billion), reflecting their status as countries with significant emigration and a relatively prosperous diaspora (Table 5). However, low income countries such as Bangladesh, Haiti, Afghanistan, Ghana, Ethiopia, Kenya, Somalia and Nepal, among other, also have significant diaspora savings above $1 billion each.[51]

Diaspora giving more ad-hoc than strategic

Generally, diaspora giving refers to the particular portion of remittances that is given to local charity. The distinction between 'remittances' and 'diaspora philanthropy' – as Mark Sidel explains – can be a complex and fine line and a distinction that can be measured differently in different countries.

Reviewing research literature up to 2008, Sidel concludes that there is little significant evidence to indicate that diaspora philanthropy has 'evolved from an ad hoc practice into a more strategic practice'.[52] Instead, he argues, ad hoc customs by individuals, families and ethnic and religious groups or communities are still much more common practice in diaspora giving.

Backyard giving and ad-hoc giving

Some diaspora giving in Asia may be highly organised, especially that undertaken by families and by communities in the diaspora. But it has not, Sidel argues, for the most part, evolved into a more strategic practice of philanthropy.[53]

Practitioners working in Asia have reported that often it is local religious leaders who traditionally recruited their overseas town mates to contribute to local activities for the poor. Other cases in Asia and more recent developments have seen larger NGOs generating local giving. However, Asian diaspora communities are described as suspicious of the larger NGOs and the preference to remain on a more personal kind of giving. Diaspora giving to homeland communities is a vital financial stream and is reliant on the local connection and intimate knowledge of the local peoples and issues. Reviewing the research done on channels and mechanisms used by diaspora communities to send money home, Sidel concludes that these channels include first and foremost the 'family channel' in virtually every country – diaspora giving through families – as well as 'giving through clan associations in China and Taiwan. Other channels include through ethnic and professional groups in India and other countries, through neighbourhood and regional groups in the Philippines, and through foreign-based ethnic NGOs. Preference for a certain channel has to do with the individual's income level or assets. A recent survey on High Net Worth Individuals in the Philippines has revealed that these persons prefer to give through larger NGOs.'[54]

Sidel remarks that the aforementioned channels should in many cases considered as elite channels. In the case of India, an analysis of channels and mechanisms has revealed the large diaspora money flows to religious groups and institutions in that country. Overall, measuring these diaspora giving flows with any precision is considered to be very difficult.[55]

Across diaspora communities – especially those in the U.S. – questions regarding more strategic giving are being taken up by specific groups within the community and the call for streamlining grows bigger due to the awareness of available resources and their potential impact. The impact of diaspora giving is a recent and ever stronger concern among donors also because of their increasing knowledge about development causes and the notion that entrepreneurial wealth can save and improve communities back home. Diaspora money in general is increasingly being discussed as having potential to substitute for government expenditures, particularly on health, education and other social services, as will be outlined over the following pages.

Diaspora bonds

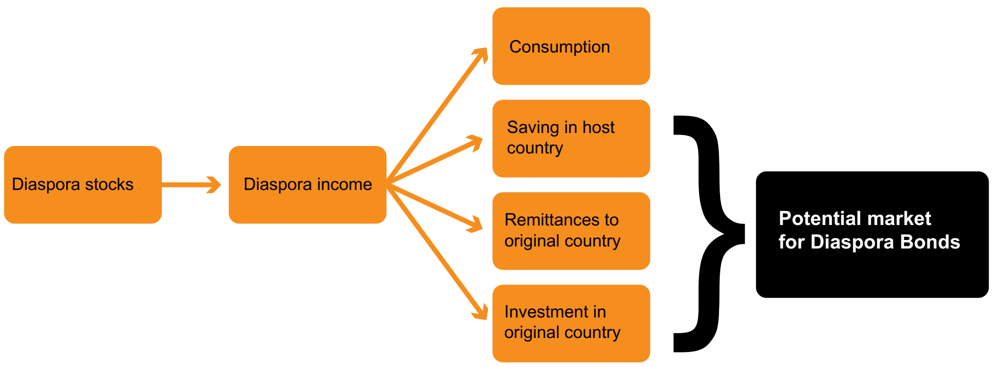
Diaspora bonds are debt instruments offered by the homeland government to raise capital amongst migrants of that country. The migrant purchases bonds which are government-secured and receives interest on his bond. Having emerged in the 1930s in Japan and the Republic of China, they were implemented and sold successfully in Israel around 1950. Diaspora bonds made their global comeback in India during the year 1998. A recent surge in countries looking into these financial tools to raise capital is based on three global trends:

1) Global diaspora communities are increasingly economically empowered

2) The internet has boosted access to both general information and relatives far away

3) The economical empowerment and stronger ties to the homeland have strengthened the sense of belonging and of the right to define one's identity.[56]

Figure 9: Potential of diaspora savings



Source: World Bank (2011), Migration and Development Brief 14

World Bank Economist Dilip Ratha, a specialist on migration, diaspora savings and remittance analysis, summarised that in the past diaspora bonds have been used by Israel and India to raise over $35 billion of development financing. Several countries, such as Ethiopia, Nepal, the Philippines, Rwanda, and Sri Lanka, are considering (or have issued) diaspora bonds recently to bridge financing gaps. 'Besides patriotism, diaspora members are usually more interested than foreign investors in investing in the home country'. In 2010, Ratha argued the case for Haitian diaspora bonds to be issued to help the earthquake victims. 'Not only Haitians abroad, but also foreign individuals interested in helping Haiti, even charitable institutions, are likely targets for these bonds. Offering a reasonable interest rate – a 5% tax-free dollar interest rate, for example – could attract a large number of Haitian investors who are getting close to zero interest rate on their deposits.'[57]

Dilip Ratha also commented earlier this year that one of the worlds' more ambitious attempts to harvest from its diaspora community's savings failed. The finance minister of Nepal announced in the annual budget in July 2009 that the government would issue a diaspora bond to raise funds for infrastructure development. Indeed, Nepal Rastra Bank followed through in June 2010 by floating a 'Foreign Employment Bond', Dilip Ratha recounts on his World Bank blog. Although the initial goal was to issue Rs. 7 billion (about $100 million), Rs. 1 billion was floated in the first round. Nepali workers in Qatar, Saudi Arabia, UAE, and Malaysia could buy the bond from one of seven licensed money transfer operators in denominations of Rs. 5,000 (about $65). Data on this diaspora bond effort remains incomplete, Ratha concludes, but the funds raised have been minuscule, nowhere near target.[58]

Conclusion

A trusted industry body seems necessary that can issue bonds for a particular sector and country. Ukraine, Russia, Pakistan, Romania and Colombia are just five countries out of those countries with the highest diaspora savings (see Table 20 in the Appendix). These random five countries taken together, for instance, make up for estimated diaspora savings of around $47 billion. However, few people would invest into government bonds issued by any of these governments of which each single one is known to have comparatively high degrees of government corruption.

It was mentioned earlier that releasing the potential of remittances and diaspora savings is chiefly the remit of national governments and their governance and trust-building capacities. However, the issuance of these kinds of social impact bond instruments could be done by a trusted intermediary organisation instead of the home government as trust in administrative bodies is often lower than trust in large, international NGOs.

To access those diaspora savings, a trusted intermediary such as an NGO between the local government and the donor/purchaser of the bonds could take a lead. The reliability of this intermediary could be assessed by an independent organisation, which would provide the NGO with a rating – a crucial parameter for issuing bonds which are designed for this particular charity and its cause and for providing the donor/purchaser with a scoring system. Either the NGO itself would get a very good rating that allows it to issue bonds, or another intermediary body would issue bonds on behalf of any creditworthy NGO, and pass the money on to them. What additional layer of organisation and hence additional level of costs this would entail is open to debate.

Foreign direct investments

Foreign direct investments are explicitly not ‘philanthropic’ but business investments which might have the adverse effect of discrediting international aid agencies through their immediate short-term positive impact on communities and cities (for instance through infrastructure investments)

As can be seen from Table 6, private money flows to developing countries, such as remittances and foreign direct investments, have increased dramatically over the past 20 years. While the often described ‘privatisation of foreign aid’ is not the case it is evident that unprecedented sums of private money are indeed flowing to developing countries.[59] The boom of FDI flows to developing countries since the early 1990s indicates that multinational enterprises have increasingly discovered these host countries as competitive investment locations.

By itself, foreign direct investment does not imply much else than being a figure for investment from abroad into a locally based company which – due to the investment’s size and structure – has a lasting effect on the management structure of the company in which it is invested. In the context of a particular country and industry, foreign direct investments do have benefits as well as shortcomings, which are frequently discussed within the aid community.

Table 6: Resource flow from all countries to developing countries, $ billion, 1995 – 2009

	1995	2000	2004	2005	2006	2007	2008	2009	2010
FDI	95	149	208	276	346	514	593	359	-
Remittances	55	81	159	192	227	278	325	307	325
Overseas Development Assistance, ODA	57	49	79	108	106	107	128	120	-

Source: World Bank, Migration and Remittances Factbook 2011

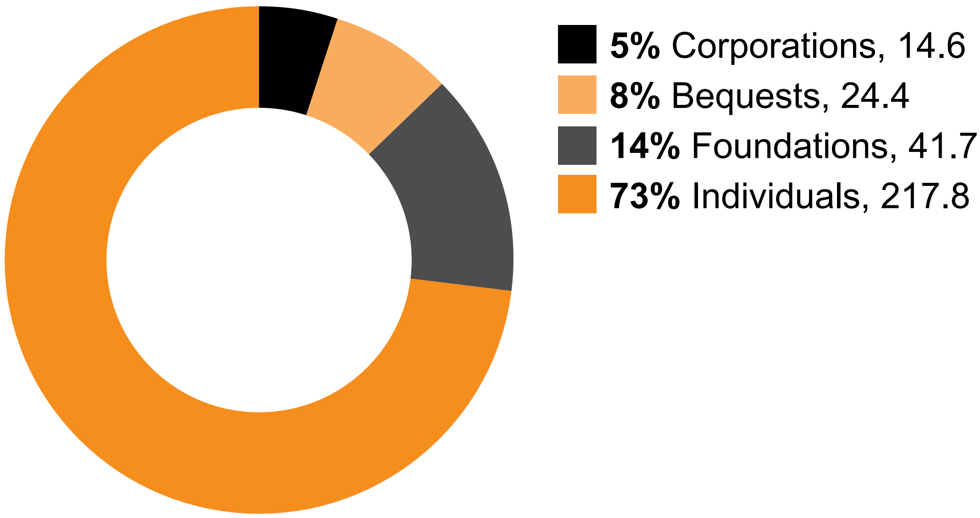
Segmentation of Players

Segmentation

Philanthropic contributions by individuals, foundations and corporations differ quite strongly between countries and availability of data is limited. A closer look was taken at data from the U.S. to illustrate some key trends.

The breakdown of private giving in 2011 for the U.S. (by Giving U.S.A and the Indiana University Research team) in Figure 10 reveals that the contribution to any charitable cause (domestic and international) by individuals donating money to non-profit organisations was 73% (or $218 billion). This compares to only 14% by U.S. foundations, 8% through bequests from individuals and 5% through American corporations.

Figure 10: U.S. private giving, by source, in $ billion, 2011



Source: Giving U.S.A 2012 Report

International involvement of U.S. foundations

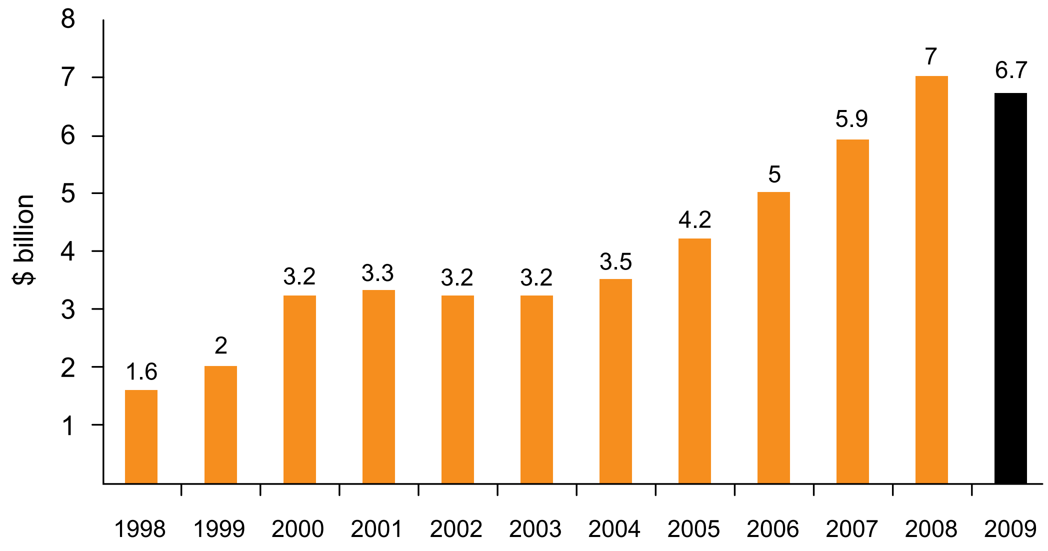
Key findings:

- International development represents a small share of overall foundation giving, and foundation giving for international development is small compared with official aid
- Philanthropy for development is dominated by U.S. foundations, which channel their giving primarily through global funds rather than directly to developing countries
- While only a small number of foundations have offices in the world's poorest countries, increased collaboration with local grantmaking institutions can be seen
- Foundations have – in contrast to non-governmental organisations and governments – quite specific interests and a different focus to 'just' humanitarian development
- New philanthropic actors and young entrepreneurs are changing the face of giving: surveys show that female philanthropists and social entrepreneurs generally have a different approach to giving, seeking high engagement in philanthropic endeavours and a tangible impact
- Major players such as the Bill & Melinda Gates Foundation do not just rely on the funds that it donates to make an impact, they leverage their funding as a way to make an even wider impact in the areas where they work
- Our analysis clearly shows that the recipients of U.S. foundation grants are top emerging markets rather than the poorest countries.

Global data on foundations is too limited for an exhaustive analysis of both domestic and international grants. The U.S. has the most advanced reporting procedures for foundations in place. International involvement of U.S. foundations is, undoubtedly, the most extensive, both in causes addressed as well as dollars spent in comparison with foundations from other developed countries. European data is somewhat harder to acquire and the data that is available unfortunately often includes different types of foundations (e.g. operational foundations which are not grantmaking). For a detailed analysis, this section has focused on international grants by U.S. foundations while, in a second step, available data on European foundations was scrutinised.

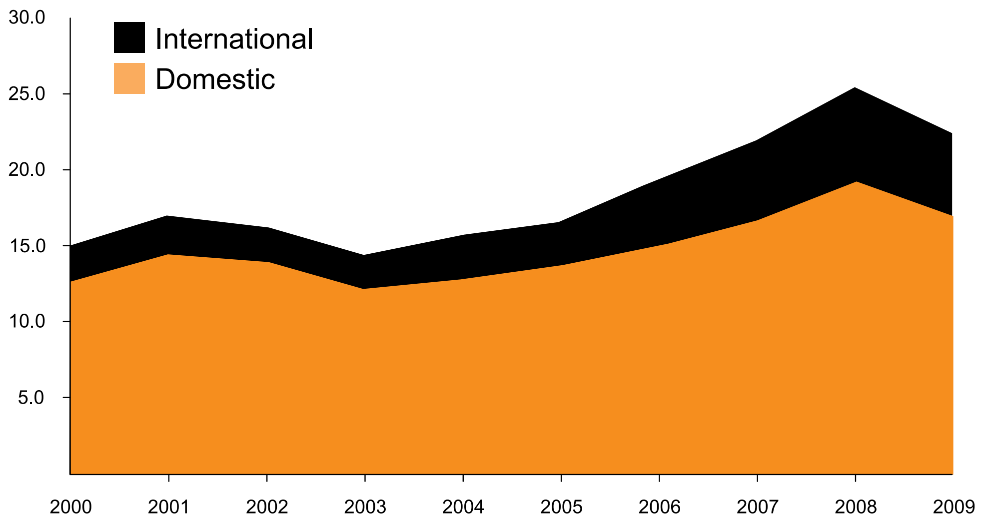
Figure 11 and Figure 12 illustrate that while a fall occurred during the recession in 2009, international giving (and domestic giving) in the U.S. is on a steady upward trend. Figure 12 displays the large share of philanthropic money that remains within the country.

Figure 11: Estimated international giving by U.S. foundations, 1998 – 2009



Source: U.S. Foundation Centre Database (2010 report, most recent data)

Figure 12: Domestic vs. international grants of U.S. foundations, $million, 2000 – 2009



Source: U.S. Foundation Centre Database (2010 report, most recent data)

The table below shows the top 35 countries which were targeted most by U.S. foundations and with what $ amount. Data was allocated over an eight-year period from 2003 – 2010.

Table 7: Top 35 countries receiving U.S. grants, by total $amount and number of grants, period 2003 – 2010

Rank	Country	$million	Grants, count
1	**Switzerland**	2,541	847
2	**England**	1,301	3,366
3	**Kenya**	637	1,031
4	**South Africa**	572	2,480
5	**Canada**	551	3,198
6	**India**	531	2,398
7	**China**	483	2,739
8	**Israel**	398	2,476
9	**Mexico**	328	1,871
10	**Germany**	291	651
11	**Australia**	281	674
12	**Brazil**	274	1,470
13	**Haiti**	206	280
14	**Italy**	204	567
15	**Netherlands**	185	422
16	**Russia**	177	739
17	**Philippines**	148	511
18	**Nigeria**	142	569
19	**France**	129	799
20	**Uganda**	107	649
21	**Ghana**	102	303
22	**Peru**	94	559
23	**Indonesia**	93	588
24	**Colombia**	91	304
25	**Bangladesh**	87	80
26	**Vietnam**	82	690
27	**Belgium**	79	338
28	**Ireland**	77	293
29	**Thailand**	65	385
30	**South Korea**	61	71
31	**Tanzania, Zanzibar & Pemba**	59	459
32	**Northern Ireland**	57	46
33	**Chile**	54	432
34	**Ethiopia**	51	159
35	**Zimbabwe**	51	280

Source: U.S. Foundation Centre, International Grants Database (own 2011 analysis)

Table 7 reveals that U.S. foundations are sending the largest share of their grant money to two countries within Europe, Switzerland and the United Kingdom. This underlines the strong preference of U.S. foundations to channel their giving primarily through global funds (such as the World Health Organisation or United Nations agencies) rather than directly to developing countries.

As Table 21 in the Appendix underlines, global funds offer security and relatively stable conditions which might be one of the key reasons why only few foundations have offices themselves in the world's poorest countries – this crucial point will be taken up again at a later stage in this report.[60]

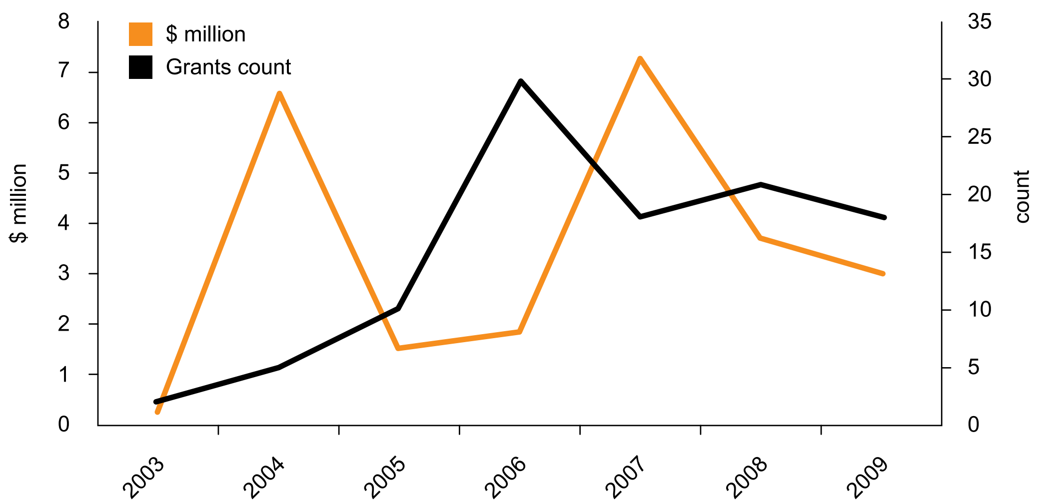
Table 7 on the previous page also displays clearly that the recipients of U.S. foundation grants are top emerging markets rather than the poorest countries. Hence, Russia joins the other three BRIC states (Brazil, India and China) in the top 20 of recipients.

A few countries were scrutinised in more detail for this report. In Pakistan, for instance, during the year of the start of the U.S. military campaign in Pakistan in 2004, there was a significant hike in donations to Pakistan-based non-profit organisations. Closer inspection revealed a hike not only in 2004 but also in 2007 and 2010. These increases were due not to governmental aid but also individual donations from foundations, namely Gates (2004, 2007: donations of 6 and 5 million respectively) and Soros (5 million in response to the Pakistan floods).

Money flows to globally operating NGOs in Switzerland, such as the World Health Organisation (WHO, which tops the list of grants recipients within Switzerland with around $770 million alone, i.e. 30%),[61] are characterised by similar peaks.

In almost all cases of noticeable and sudden increases in funding, one can identify Gates – in the case of Switzerland (Table 7) it was the Gates foundation's single donation of $500 million to the Global Fund to Fight AIDS, Tuberculosis and Malaria in 2006.

Figure 13: U.S. foundations grants to Pakistan, $million, 2003 – 2009



Source: U.S. Foundation Centre Database (own 2011 analysis)

The general problem with volatility in money flows, whether it is government aid or philanthropic money, is that these swings in disbursement are likely to result in swings of domestic expenditure – and therefore difficulties to adjust programmes and long term development. In the past, foundations have faced criticism for not investing with a long-term commitment. Foundations such as the Bill & Melinda Gates Foundation have responded to that and increased the long term involvement and impact of their development grants through multi-actor cooperation.[62]

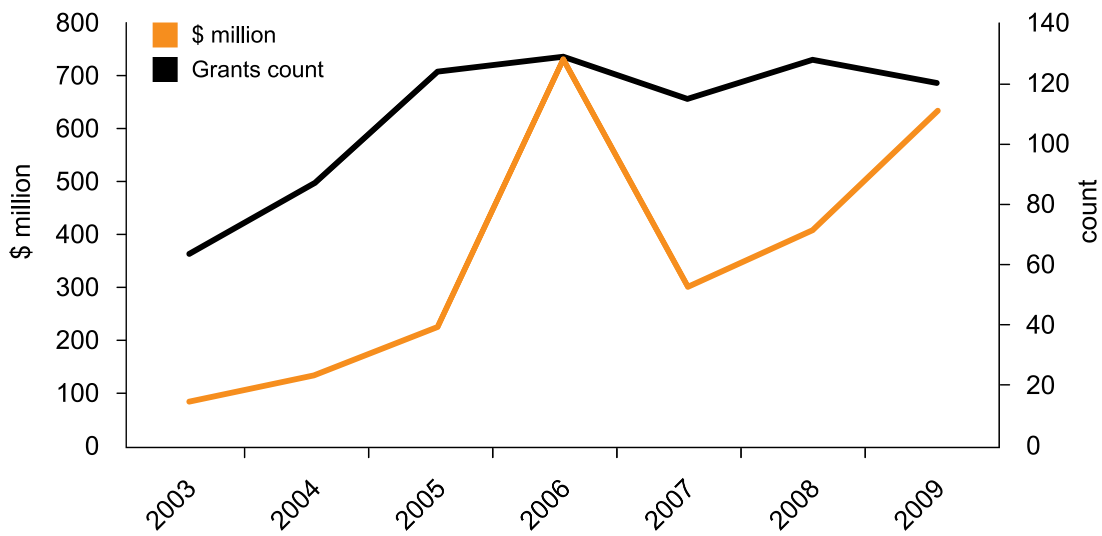
U.S. grant-making appears less volatile when you take the case of England. Here, in the top 10 of grant recipients are four of Britain's top league universities (UCL, Imperial College, Oxford and Cambridge).

While there is no doubt that these four universities are involved in ground-breaking work in developing countries as well as conducting research on key issues concerning development, it nevertheless becomes clear that foundation grants (U.S. or otherwise) to overseas NGOs and institutions are just partly for pure 'development' purposes.

This point is further underlined looking at Ireland (in Table 7, page 56) –clearly a developed country embraced by strong partners within the European Union but still ahead of for instance Ethiopia in terms of U.S. grant dollars received.[63] This is mainly due to a single $32 million donation to the University of Limerick by The Atlantic Philanthropies in that period.

The increased importance of rich individuals issuing grants at unprecedented levels (such as the Bill & Melinda Gates Foundation) presents a considerable shift in the international grantmaking landscape in recent times. As a 2008 paper by the European Foundation Centre concluded, the large majority of foundations around the world are set up by an individual using her/his personal wealth, or by a joint initiative of several individuals.

Figure 14: U.S. foundations grants to Switzerland, $million, 2003 – 2009



Source: U.S. Foundation Centre Database (own 2011 analysis)

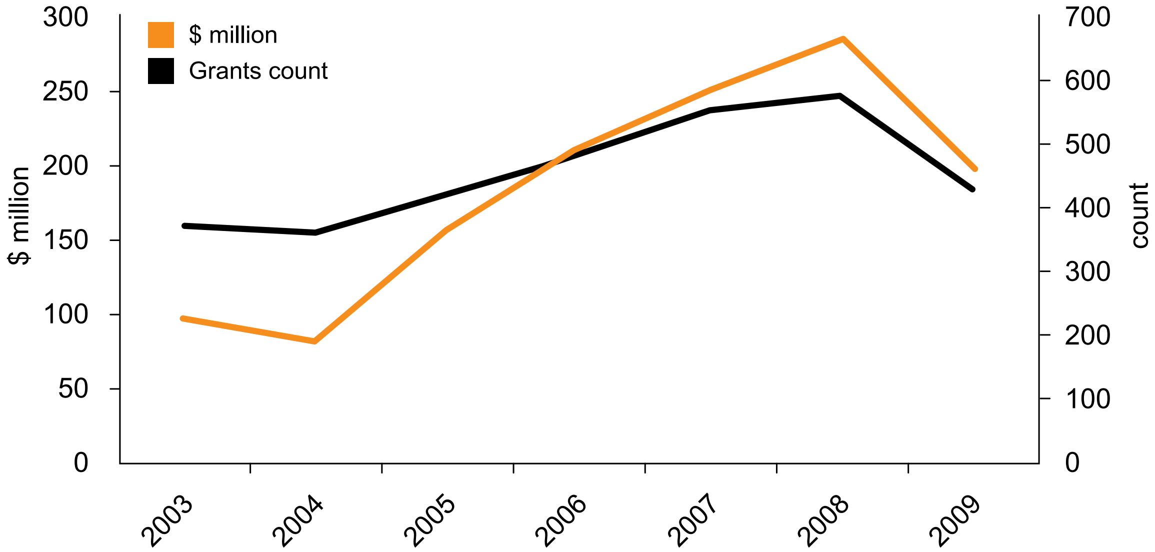
For many founders, notes the paper, the key reasons to set up a foundation are their interest in a particular project, strong attachment to a cause, the founder's belief or the convictions of the person who inspired the project. In the past and up till now, men generally form the majority of founders and tend to be middle-aged senior executives. An increasing number of female philanthropists as well as new-wealth donors and young billionaires such as Facebook founder Mark Zuckerberg – the youngest billionaire signing the 'Giving Pledge'[64] – have gradually contributed to changing this pattern over the last decade. Surveys show that women generally have a different approach to giving, seeking high engagement in philanthropic endeavours and a tangible impact.[65]

The ASA International Holding (ASAI) registered in Mauritius and a globally operating micro-finance services provider received a single grant of $20 million from the Bill & Melinda Gates Foundation in 2009, thus Mauritius tops Table 20 (Appendix) of 'average $ per grant' by country.[66]

The WHO in Switzerland received 270 grants with a total value of $770 million over the period under observation (average of $3.7 million per grant). However, the average is somewhat misleading (as for many other countries shown in Table 20) because the Bill & Melinda Gates Foundation accounts for 93% of all grant dollars, sending nearly $7 million with each grant.

Another example for a particularly 'political' investment focus instead of a merely humanitarian one is the case of the Vatican City at position 12 – receiving grants ranging from $30,000 in 2006 to $3.2 million in 2007 (showing an average of $450,000). While the Vatican has several purely humanitarian societies under its roof, the largest of the aforementioned grants went to the Vatican directly, hinting more towards the donor's concern for arts or the cultural and religious heritage of the Catholic Church etc. than for purely aid.

Figure 15: U.S. foundations grants to England, $million, 2003 – 2009



Source: U.S. Foundation Centre Database (own 2011 analysis)

The 'Gates Factor'

Of the world's ten largest foundations (based on 'invested donations'), seven are based in the United States. The wealthiest foundation, i.e. the one with the largest amount of endowment is the Melinda & Bill Gates Foundation based in Seattle, Washington, and operating since 1994 with a starting capital of $94 million. Since then, the capital of the Gates Foundation has grown and has so far provided funding to developments projects at a value of $24 billion. Its current endowment is $37.1 billion.

How much overseas development has the No1 philanthropist essentially done?

The Gates Foundation classifies its grants into four groups Global Health, Global Development, United States and non-programme grants. All of the foundation's activities which are part of the programmes 'Global Health' and 'Global Development' should be categorised as overseas aid as well as those grants to projects in North America which are concerned with international development (e.g. a grant to Oxfam America to provide emergency response to flooding in Guatemala). Over the period from 1994 – 2011, 44% of the foundation's total number of grants and nearly $18 billion of the foundation's grants money (71%) went to overseas causes (see Table 8).

Table 8: Share of grant dollars, by area, Gates Foundation, 1994 –2011 (March)

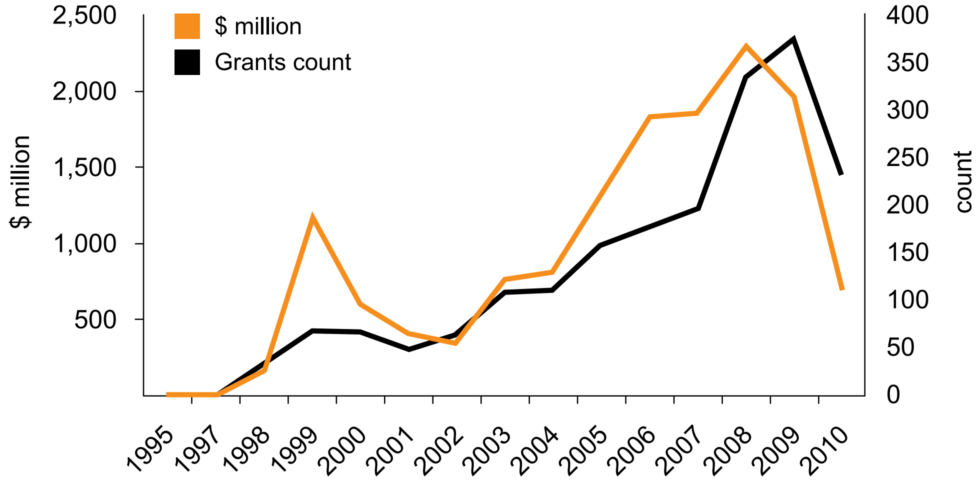
Area	$million	%
Global Health	14,492	58%
Global Development	3,277	13%
(Global – combined	17,769	71%)
U.S.	6,005	24%
Non-programme grants	1,038	4%
Total	24,812	100%

Source: Bill & Melinda Gates Foundation, Grants Database

Since the Bill & Melinda Gates Foundation started operating in 1994, combined international grants equate to around 44% of all of the Foundation's grants, in $ value an estimated amount of $17.8 billion.[67] Figure 16 displays how the Global Health initiative of the Gates foundation has grown, and has actually become its largest area of funding.

> *'If you have the money you don't have to collaborate with anyone – all you need is a grantee.'*
>
> **Philanthropy Expert, Asia**

Figure 16: Grants with Global Health Focus, Gates Foundation, 1994 - 2010



Source: Bill & Melinda Gates Foundation, Grants Database (own analysis)

The advocacy role of the Gates Foundation

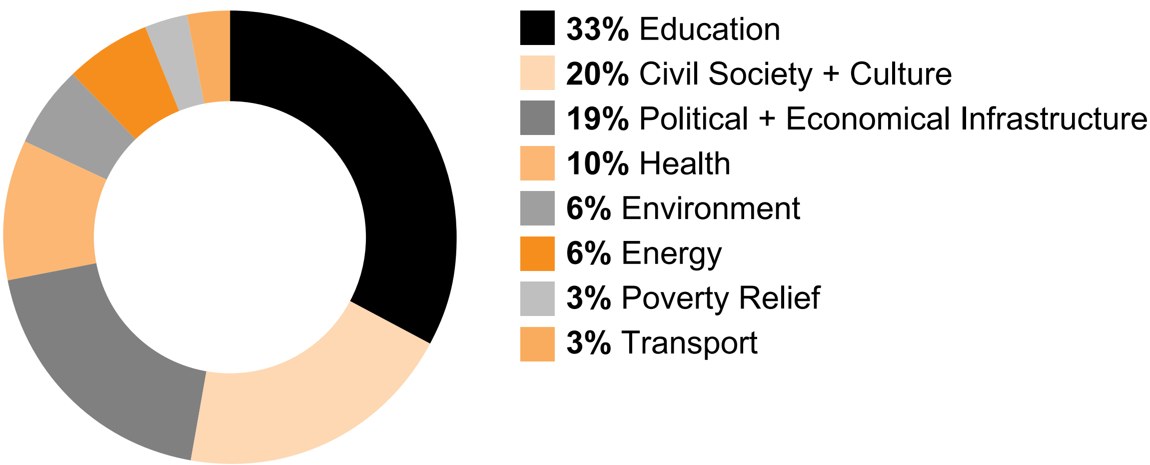
Major players such as the Bill & Melinda Gates Foundation do not just rely on the funds that it donates to make an impact they leverage their funding as a way to make an even wider impact in the areas where they work. The Gates Foundation for example spends only a small percentage of its funds on domestic education in the U.S. While it amounts to a relatively large sum, it is small compared to the public funds spent on education. Yet, the Gates Foundation plays an important political role in education policy in the U.S., because in addition to funding they play an important role in advocating change. That is, they don't just fund education programmes but also fund policy centres that influence education policy. The Gates role then is leveraged further than their absolute value. More on the advocacy role of foundations as well as the Gates' domestic involvement in education in later chapters (see page 45 for U.S. domestic grants by the Gates Foundation, and page 46 for notes on the 'Advocacy role').

Special analysis – U.S. foundation grants to China

A special analysis was conducted on U.S. foundations' grants to Chinese foundations and NGOs to see what areas are of most interest to U.S. foundations.[68] Key finding is that U.S. foundations focus strongly on academic institutions, research and development as well as laboratories and science centres.

The largest share (33%, see Figure 17) is grants to educational institutions which include academic institutions and research institutes. More than seven in ten in the category 'education' are higher education facilities such as the Shaanxi Academy of Social Sciences, Shanghai Science and Education Development Foundation, Shanxi Academy of Social Sciences, Guizhou Academy of Agricultural Sciences or the Chinese Academy for Environmental Planning. Other educational institutions grouped under this category included Central Communist Party School, Anhui Provincial Department of Education, Shanghai Education Development Foundation, Ministry of Education of China or the Beijing Modern Education Research Institute.

Figure 17: U.S. Foundation grants to China



Source: U.S. Foundation Centre Database; own analysis

The second largest share (20%) are grants to civil society and cultural institutions such as the Family Planning Association Wuchang District, Evangelical Lutheran Church of Hong Kong, Lishu County Women's Federation, Chinese Working Women Network, National People's Congress, National Prosecutors College or Panzhihua Youth Volunteers Association. Cultural institutions that received U.S. money are Hong Kong Ballet, Museum of the Terra-Cotta Warriors and Horses of Qin Shihuang, National Art Museum of China or the Chinese Culture Promotion Society.

The third largest category 'Political and Economical Infrastructure' (19%) includes three sub-categories: social and economical research (50%), administration/ politics (38%) and economics (13%). Social and economic research grants from U.S. foundations for instance went to the Horizon Research Consultancy Group (one of the leading opinion pollsters in China), China Development Research Foundation, Research Centre for Rural Economy, the China National Institute for Educational Research or the Yunnan Participatory Development Association.

'Administration/ Politics' (see Figure 17) include institutions such as the Financial Stability Bureau of the Peoples Bank of China; China Standard Certification Centre; Ministry of Civil Affairs; National Development and Reform Commission; Association of Mayors of Guangxi or the China Rural Labour Development Institute.

Conclusion

As can be seen from the randomly selected grantees in above paragraphs, there are quite a few recipients who can be clearly associated with the Communist Party while it is likely that far more bodies are controlled by the Chinese regime than visible from the name or official affiliation. To better understand the landscape of Chinese philanthropy, it is important to note that many NGOs are actually government operated, and therefore are more accurately described as 'Government Operated Non-Governmental Organisation', or GONGOs. In general, GONGOs exist to forward a government sponsored cause. Experts have highlighted that the Chinese philanthropic landscape and the role of foundations and NGOs in a non-free market environment such as this is problematic. Transparency is hard to establish. Nevertheless, the newly established Chinese foundation database was used to have a closer look at existing grants from Chinese foundations to get an understanding of the domestic philanthropy landscape. This analysis can be found on page 62 to 64.

European foundations: expenditure and international involvement

Key findings:

- Philanthropic expenditure of European foundations is lower compared to their U.S. counterparts despite holding more assets on average
- Italy had the largest aggregated foundation assets in Europe
- Britain leads the way by a huge margin in terms of average size of a grant
- International involvement by European foundations is generally at a low level. Dutch foundations focus strongest on international relations and development (45% compared to around 12% on average)
- A World Bank paper from 2007 estimated the total international giving by European foundations to be around half a billion dollars (which is little compared to the U.S. international giving of an estimated $5.9 billion in that particular year, see Figure 11).

Table 9: Total asset value of foundations in 15 EU countries

Country	Total assets (million €)
Italy (2005)	85,441
Germany (2005)	60,000
United Kingdom (2005) *	48,553
Sweden 2001	16,305
France (2005)	9,445
Spain (2005)	8,993
Finland (2004)	3,856
Netherlands (2002) **	1,445
Hungary (2005)	1,419
Belgium (2006)	1,028
Estonia (2004)	340
Luxembourg (2005)	203
Czech Republic (2006)	195
Slovakia (2006)	67
Slovenia (2005)	34

Source: European Foundation Centre, 2008 Analysis,
* Top 500 trusts, ** 400 Fund-raising foundations

Data on European Foundations is limited, especially on their international involvement.[69] However, publications by the European Foundation Centre (EFC) and other sources have highlighted that their economic weight is significant with combined assets of €237 billion.[70] However, their expenditure is lower compared to their U.S. counterparts despite European foundations holding more assets on average.[71] Italy had the largest aggregated foundation assets in Europe (see Tables 9 and 10). A World Bank paper from 2007 estimated the total international giving by European foundations to be around half a billion dollars.[72]

Table 10: Breakdown of top 50 foundations' assets per country

Country	%
Italy	39%
United Kingdom	34%
Germany	16%
Spain	4%
Sweden	4%
France	2%
Finland	1%

Source: European Foundation Centre

Table 11 highlights that foundations in 14 major European economies combined with a total of more than 380 million citizens are spending more (in Euro: 46 billion) than the U.S. foundations surveyed by the Foundation Centre (see Figure 10; U.S. $42 billion or 33 billion Euro) however relative to the population and the held assets, Europe spends significantly less. Germany has the highest expenditure in total figures (both domestically and abroad). Britain leads the way by a huge margin in terms of average size of a grant.[73]

Table 11: Total expenditure of foundations in 14 EU countries

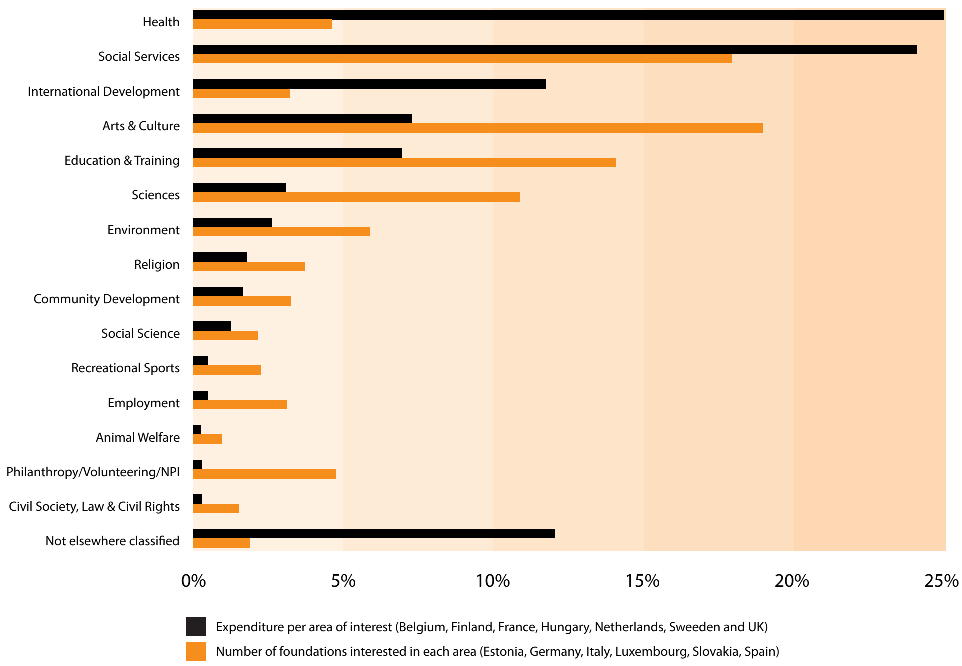
Country	Expenditure (million €)
Total	46,120
Germany (year: 2005)	15,000
Italy 2005	11,530
Spain 2005	5,700
France 2005	4,175
United Kingdom 2005 *	3,972
Netherlands 2005	2,714
Hungary 2005	1,100
Sweden 2001 **	627
Belgium 2005	570
Estonia 2004	272
Finland 2004	249
Luxembourg 2005	154
Slovakia 2006 *	42
Czech Republic 2006 ***	15

Source: European Foundation Centre, 2008 Analysis
* Top 500 trusts
** Grants to third parties
*** Grants expenditure of 70 Foundations Investment Funds (FIF), which represent 62.6% of the assets of all Czech foundations

Several foundations from selected countries have indicated their expenditure to the European Foundation Centre, which allows drawing some conclusions on areas and spending priorities across various foundations in Europe. Data on areas of interest were provided in two ways and reflect either the amount of spending on each area of interest or the number of foundations interested in each area. Both types of data are represented in Figure 18.

The overview of expenditure per area of interest for a sample of 36,717 foundations in seven EU countries shows that foundations spend most on health and social services. The latter is strongly supported by foundations from France (36% of all their support) and the Netherlands (31%). French foundations direct the majority of their support to health (49% of all their support). In the Netherlands foundations focus strongly on international relations and development (45%) which reflects the strong Dutch tradition of humanitarian involvement.[74] The strongest support for employment comes from Belgian foundations. Swedish foundations mainly support science (48%).

Figure 18: Distribution of foundations support by fields of interest in 13 EU countries

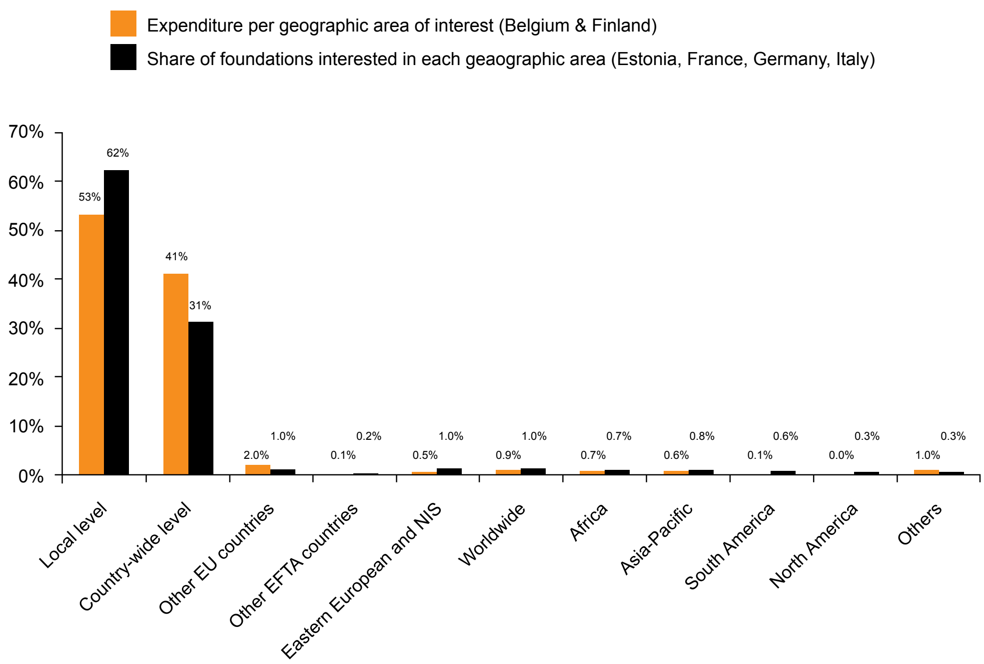


Source: European Foundation Centre, 2008 Analysis

Figure 18 highlights that international involvement by European foundations is generally at a low level. For future analysis it would be useful to look at both Netherlands and the UK in terms of foundations and their activities, as the EFC analysis has identified the Netherlands as the country with the strongest focus on international affairs while the United Kingdom, following the Anglo-Saxon pattern of philanthropy, has the by far highest grants on average which is worth examining from the international perspective, too.

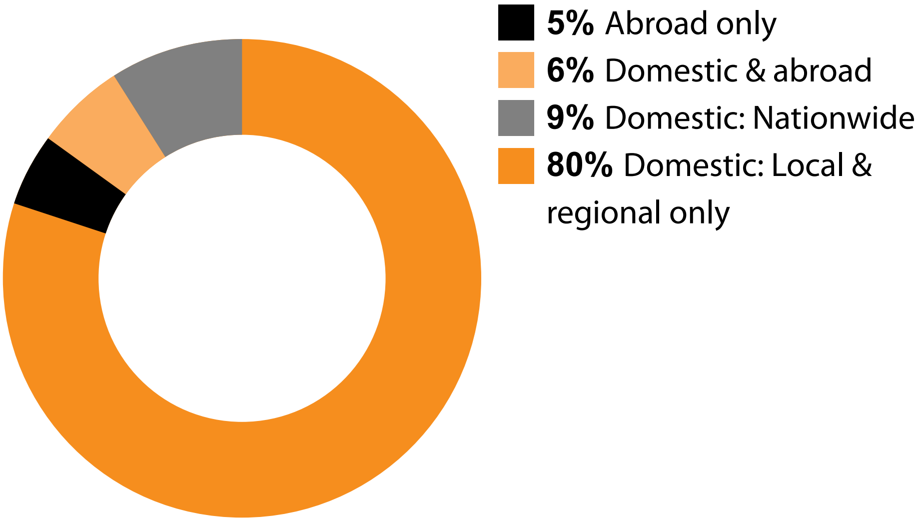
Further data available from the EFC and also the German Foundation Association (Bund Deutscher Stiftungen, BDS) confirms the low level of engagement with international affairs of European foundations and German foundations respectively, as can be seen in the following Figures 19 and 20.

Figure 19: Geographic areas of interest, European foundations (6 EU countries)



Source: European Foundation Centre, 2008 Analysis

Figure 20: German grant-making foundations, geographical focus, 2011



Source: German Foundation Association, 2011

The above graph displays the geographic areas of interest and the amount of spending. This EFC analysis (among six countries only due to limited data) further underlines that funders mostly support activities at local and national level, while cross-border support is most often given to other EU countries but not beyond. A snapshot on German foundations (Figure 20) underlines this trend further with nearly 90% of German foundations having no international focus at all. However a share of 5% is funding projects with international focus only, while 6% of all foundations in Germany had a focus on both domestic and abroad engagements in 2011.

Conclusion

Overall expenditure at European foundations is lower than their U.S. counterparts despite holding higher assets on average (Table 10). International involvement of European foundations is generally at low levels. Dutch foundations focus most strongly on international development causes. A fragmented foundation landscape with a variety of different types of foundations highlights the different path that most of the European countries have taken compared to Anglo-Saxon philanthropy.

Asian foundations play an increasingly important role in their region

A World Bank paper has observed that international philanthropy by Asian foundations is relatively limited ‘owing to cultural and religious traditions that favour local philanthropy. In many countries, non-profit organisations are struggling to gain government recognition as a separate sector. Most Asian philanthropy is directed at local community needs and social welfare. Aid to non-religious causes is relatively low, according to the Asia Pacific Philanthropy Consortium. There has been very little research on Asian philanthropy in general and even less on the activities of Asian foundations in developing countries.’ The paper concluded that amongst Australasian countries the most foundations have Australia, Japan, China, Hong Kong (China) and the Republic of Korea, but foundations could also be found in Malaysia, the Philippines, Thailand, and Vietnam.[75]

The role corporations play for overseas philanthropy

Key findings:

- In the U.S., corporations have given $14.6 billion to charity in 2011 which manifests the smallest share out of all private giving
- Recorded corporate giving usually includes not only cash but also in-kind donations of products and management time, too
- The more global the company’s operations, the more international is their philanthropic focus
- Manufacturing companies consistently dedicate more than one-quarter of their total giving budgets to international end-recipients. In 2010, the average percentage of total giving provided to international recipients stayed around the same as seen in previous years
- The role and importance of corporate philanthropy strongly differs between countries depending on the overall culture of giving of a society – the majority of giving for instance in Brazil happens through corporations
- Corporate philanthropy – as philanthropy by foundations – does imply a specific focus and agenda (by the company founder, chairman, board or shareholders) which, in the worst but likely case, excludes funding for ‘controversial’ issues like human rights, certain disease prevention, race or gender relations.

Corporate giving: Not just lipstick on a pig?

As for many other 'actors' in the philanthropic eco-system, corporate giving has been researched most accurately in the U.S. The Committee Encouraging Corporate Philanthropy (CECP) has conducted a survey amongst leading U.S. companies for the seventh year in a row in 2011 and, based on a sample of 184 companies and 2010 data, concluded that

- Exactly half of the companies gave more in 2010 than they did before the economic downturn in 2007
- Aggregate non-cash contributions have risen by 39% since 2007, driven primarily by contributions from pharmaceutical companies donating medicine to those in need [76]
- More companies have reported an increased focus on a particular programme area rather than spreading their funding across disciplines.

The survey further underlines the notion that the more a company is involved on the ground in a particular country, the more likely it is to donate to local charitable causes. Manufacturing companies are usually much more involved on the ground in countries outside of their homeland than service companies, due to their need of raw materials, more local workers and their reliance on local infrastructure.[77] Thus the typical manufacturing company dedicated almost one quarter of its total giving budget to grants for international recipients.

While the analysis of the CECP is worthwhile and insightful, it has several shortcomings of which one is particularly striking. Corporate philanthropy has, ideally, always a social benefit to the recipient but at the same time it also improves the reputation of the company.

> *'It is important that corporations figure out what is it that the community needs and then they can begin to work together.'*
>
> **Philanthropy Expert, South America**

Thus, it is probably fair to say that there is usually another underlying goal. The CECP research fails to analyse the element of 'reputation' and how important it is in the eyes of the surveyed CEOs. Although the CECP survey has a designated question examining the 'motivation label that suits a grant' and offers the respondent three categories (Charitable; Community Investment/Strategic; Commercial) it is not entirely clear which one of the two latter labels is the one that covers 'Enhance corporate reputation'.

The label that gets closest to capturing the purely business motivation of 'enhancing corporate reputation' is 'Commercial'. This label is defined by CECP as 'philanthropy in which benefit to the corporation is the primary reason for giving; the good it does to the cause or community is secondary. The goal may be to entertain a client or donate to a cause that is important to a key vendor or customer.' This category suggests a low response by respondents as only a few respondents would presumably admit to the primary and secondary reason of their giving in such an explicit way. As it turns out, 4% on average are labelling their donation as 'commercial' in the CECP survey (2011 report; 5% in 2010 report).

In contrast to that, a similar study by McKinsey found that seven out of 10 corporate philanthropic donations are considered to be motivated by 'enhancing the company's reputation' ('In addition to the social benefits' which are, with such a donation, a given) – according to 721 company executives surveyed in 2008.

> *'There are not many cases where collaboration between corporates has been very intense and interactive. A community foundation can act as an intermediary or broker, asking both IBM and Xerox for support. Corporations would not do it unless there was a broker; otherwise there is not a real motivation for them to work together.'*
>
> **Philanthropy Expert, Asia**

The survey's result, although a different sample and different question, seems to collide with the 5% 'commercially' motivated donations found by the CEPC survey. Instead, the CECP team published their 60-page report without mentioning '(corporate) reputation' once.[78]

As the McKinsey study further highlighted, eight out of ten executives stressed the point that 'finding new business opportunities should have at least some role in determining which philanthropic programmes to fund, compared with only 14% who say finding new business opportunities should have no weight'.[79]

Across respondents, social and political issues relevant to their business are most likely to be funded. The business goals most often cited are 'enhancing the company's reputation or brand', 'building employee capabilities' and 'improving employee recruitment and retention'.

Whatever the business goals of their philanthropy programmes, more than 80% of respondents say they are at best only somewhat successful at meeting them. Roughly one-fifth of respondents say their companies are very or extremely effective at meeting social goals, addressing stakeholder interests, or both.

Leaving aside corporate philanthropy in Western societies for a moment, the picture becomes a very different one when looking at some developing countries and emerging economies.

While in Western developed countries, corporate giving was and to a large extent still is motivated by 'corporate reputation' and corporate philanthropy constitutes the smallest share of all private giving (in the U.S.), in the case of for instance Brazil the *majority of all philanthropy is corporate* instead. The specific case of Brazil is that historically corporations take care of communities and community issues related to the location of their manufacturing plants and employees.

GIFE (Group of Institutes, Foundations and Enterprises) is reportedly the first South American association of grant-makers, uniting privately held organisations that fund or operate social, cultural and environmental projects of public interest. However, 95% of its members are corporations.

GIFE significantly focuses on developing solutions to overcome Brazil's social inequalities, whereby its strategic objective resides in influencing public policy by means of partnerships and the sharing of ideas, actions and experiences with the State and other civil society organisations.[80]

To further strengthen and leverage from this strong corporate philanthropy in Brazil, according to Marcos Kisil – President of the IDIS (Instituto para o Desenvolvimento do Investimento Sustentável, or Institute for the Development of Social Investment) – the sector strongly focuses on a newly evolved concept of 'Creating Shared Values' between communities and corporations. This concept will be scrutinised in detail from page 72 onwards.

'Every aspect of underdevelopment requires a business.'

Herman Chinery-Hesse, African entrepreneur (also known as 'The Bill Gates of Ghana')

'There still is too prevalent an idea that the donor is the one who decides where to put the money. What we're seeing, and I hope that this is the trend of the future, is that donors are working more in partnerships in order to find out the most appropriate distribution of money. This concept is taking over more and more and is called 'Creating Shared Value.'

Philanthropy Expert, South America

Country snapshots

The following chapter illustrates selected countries' domestic philanthropy landscape.

Domestic Philanthropy in the U.S.

Due to the widely available and well established data and reporting on U.S. philanthropy this chapter is kept very brief and offers analysis of the Bill & Melinda Gates Foundation's ***domestic*** expenditure only.

Looking at the Gates Foundation in terms of its domestic engagement, U.S. grants make up a significant share with 58% of all projects. However the share of expenditure for U.S. causes is approximately 24% only, as the Global Health initiatives are far more cost-intense. The 'United States Programme' forms one of four major activity areas with Global Health, Global Development and a minor sum supporting other foundations (such as the U.S. Council of Foundations, or COF).

Table 12: Bill & Melinda Gates Foundation, Grants given as part of the 'United States Programme', by area, 1994 – 2010

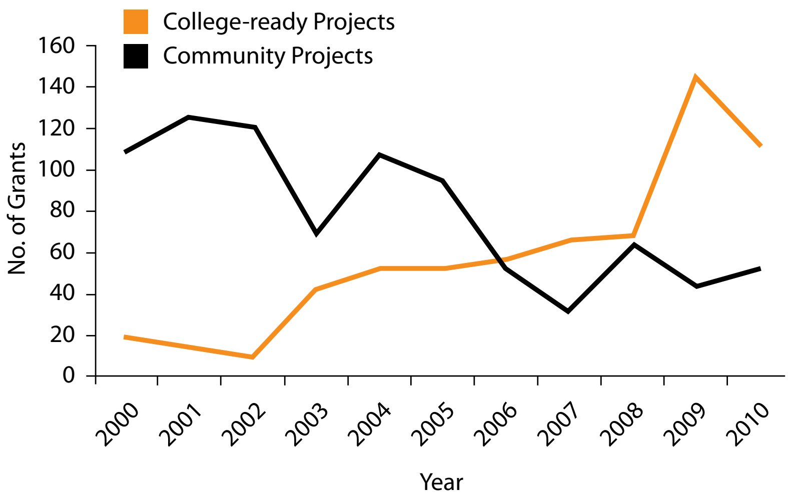
Grant area	% *
Community Grants	36%
Education, all 4 areas	27%
Education, Post Secondary	17%
Education, College-Ready	68%
Education, Early Learning	9%
Education, Scholarships	7%
Libraries	26%
Advocacy & Public Policy	6%
Family Homelessness	4%
Research & Development	3%
Emergency Response	2%

* Total does not add up due to rounding
Source: Bill & Melinda Gates Foundation

Number of community foundations grants falling

The three largest areas of investment within the 'United States Programme' are community grants, education and libraries over the whole 1994-2011 operating period of the Foundation. However, the focus has slowly been changing from supporting community foundations to giving grants to educational initiatives, as can be seen in Figure 21.

Figure 21: Bill & Melinda Gates Foundation, Number of Grants given to Community and Educational Projects, 2000-2010



Source: Bill & Melinda Gates Foundation

Community foundations fulfil core social services to communities in their neighbourhood. Examples are a $1 million grant to a Seattle-based housing development association to support a capital campaign for community facilities in West Seattle or a $4 million grant to the Seattle Foundation to support local non-profit organisations. These are two examples of larger grants in 2004, which together with a high number of smaller grants resulted in a rise in that year after a rather weak 2003 (see Figure 21). However, the overall trend is falling with the lowest number of just above 30 grants in 2007.

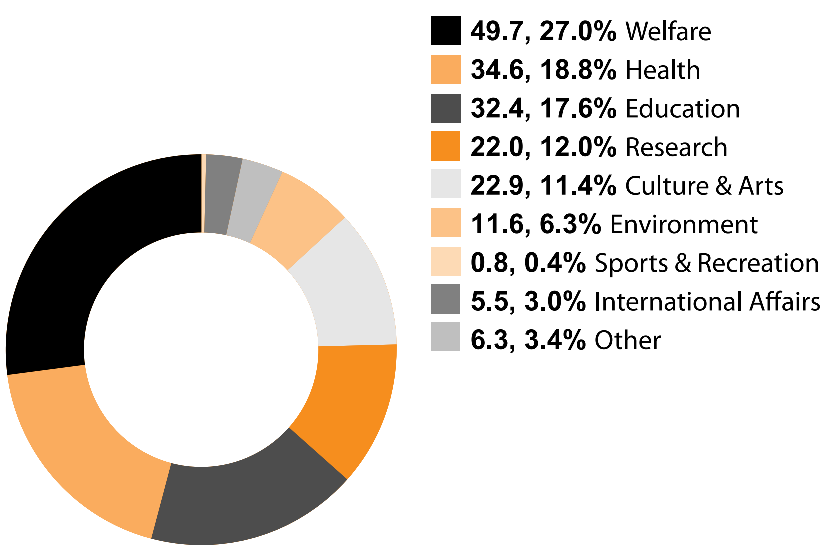
Education is increasingly on the agenda for Gates

The majority of educational grants went to 'College-Ready' initiatives which are usually grants in the area of $1 million to College Foundations in support of strategic planning and research or to recruit low income students and influence those students' course taking patterns in preparation for college. A single grant of more than $12 million went to the National Equity Project, which is a Californian initiative acting U.S.-wide to increase and improve penetration of coloured students in colleges.[81]

Philanthropy in Australia

The Australian Foundation member organisation estimates that there are approximately 5,000 foundations in Australia giving between half a billion and one billion dollars (AU$) per annum. This includes 950 private ancillary funds (or PAF; as of July 2011) and approximately 2,000 charitable trusts and foundations administered by trustee companies. The high share of private ancillary funds, which are essentially U.S.-style foundations, is partly responsible for the difficulty of obtaining accurate data.[82] This new type of PAF foundations has been introduced in 2001. PAFs are very private and are often family foundations. They are obligated to donate 5% of their assets to charitable causes each year.

Figure 22: Funding areas by top 10 reporting Australian foundations, AU$ million, 3-year average (2005-2008)



Source: Philanthropy Australia, 2010

Despite this new foundation structure and the overall new wealth of individuals in Australia, philanthropy advisors are reporting that there are not enough tax incentives to encourage giving while amongst individuals still exists a lack of trust in institutions and support for charitable giving in general. Philanthropy Australia, the national advisory body, reports that **international** giving is increasing as more and more Australians are making their fortunes abroad, thereby developing strong ties with the Asia-Pacific region. The majority of overseas giving is to those countries.

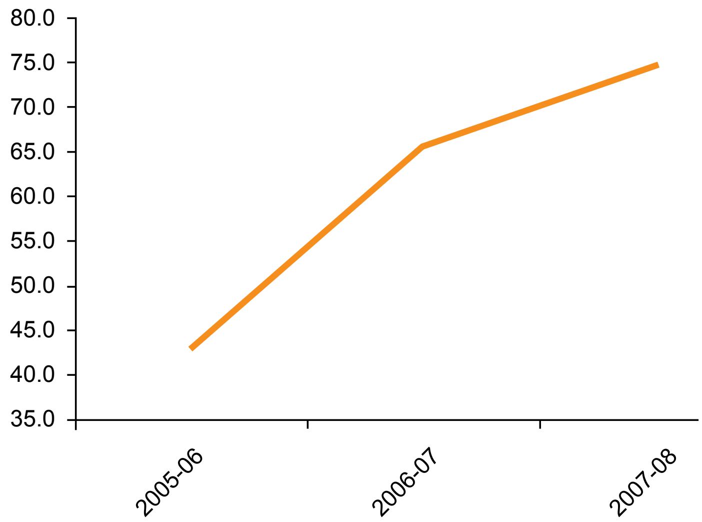
In regards to collaboration amongst philanthropic players in Australia, foundations are increasingly working together with the government while the newly established PAFs haven't shown a great deal of cooperation yet.

A breakdown by area of funding is available for the top 10 foundations that are reporting their grants and Figure 22 illustrates the focus on traditionally more 'urgent' areas such as social welfare and health. Figure 25 exemplifies that Australian foundations have given more each year. In 2009, donations have declined for the first time. Philanthropy Australia reports that in the 2008-09 income year individual taxpayers claimed $2,093 (AU$) million worth of gifts, a decrease of 10.8% from the previous year. This is the first decrease recorded in over a decade.

'Stories about giving, about generosity, are becoming main stream. We're seeing them in the media, in social media, in TV and newspapers, in a way that we haven't seen them before. We believe that's encouraging more giving.'

Philanthropy Expert, Australasia

Figure 23: Top 10 reporting Australian foundations, All funding areas, AU$ million, 2005 – 2008



Source: Philanthropy Australia

How Australia compares to the rest of the world

Philanthropy Australia concludes that comparisons are difficult as charitable donations are measured in different ways across countries (amounts given per taxpayer, per head or per household, for example; also using different income years). However, research indicates that it is reasonable to say that Australians give slightly less than the UK and Canada, and significantly less than the U.S.

The 2008 report by the Australian Centre for Philanthropy and Non-profit Studies at Brisbane University found:

- Approximately six in 10 of the wealthiest Australians (approximately 5% of Australia's total population) claim deductions for their charitable giving
- Affluent Australians give more than the average Australian but generally not much more
- The level of personal wealth held by wealthier Australians has accelerated at a much faster rate than their charitable giving
- Despite some superlative yet isolated examples, there is little evidence that Australia's ultra-rich and ultra-ultra-rich are giving at the same rate as their overseas counterparts.[83]

Philanthropy in emerging countries

The development of the civil society sector in developing and transitional countries has been more robust in recent years, which can be ascribed to expanding communications technologies, frustrations with state centred approaches to development and new efforts to empower the rural poor. Despite this, however, civil society organisations still engage a smaller proportion of the economically active populations in these countries than in the more developed regions of the world, as the Centre for Civil society Studies (CCSS) concludes. 'One reason for this may be the rural character of these societies and the resulting retention of traditional forms of social assistance relying on clan and family relationships rather than voluntary organisation. To the extent that such relationships still operate, the need for more institutionalised structures, whether formal or informal, is reduced.'[84]

Africa

Specifics of African philanthropy have remained largely unrecognised. Ghanaian entrepreneur and philanthropist Kingsley Awuah-Darko said: 'When you come to Africa, take everything you know about Europe or America and turn it upside down'[85] which, in regards to philanthropy, means the African way of giving is quite different to 'Northern' philanthropy. In general, giving is spread very widely based on the traditional African saying 'I am because you are' (ubuntu, originated in the Bantu languages of South Africa) and strongly established duties of mutual support.

While in the North giving is more of a 'giving away extra wealth', in Africa it is very much more based on 'sharing what you have' and your feeling of responsibility for the community and your family, and also the notion 'I am because you are' (the ethical concept of ubuntu and duties of mutual support).

Money comes from many and quite different sources compared to the North, and also – as a result of less wealth overall on the African continent – the sums given away are smaller. In terms of individual giving trends, it can generally be said that the percentage of income given by African high net worth individuals as a share of their total assets is much greater than in developed countries. The same could probably be generalised to most Africans, irrespective of net worth.

However, Africa has, similar to any other continent over the last decades, seen an increase in wealth and especially a growth in high net worth individuals and, as a result, more and new players have entered the landscape: New foundations and grant-making institutions similar to Western models, such as the social justice orientated Trust Africa or the African Women Development Fund (AWDF). Strong, independent and well-equipped foundations have emerged as a result of the Black Economic Empowerment initiatives, for instance the Ty Danjuma Foundation.[86] The increase in wealth is part of the reason for the entrance of new players, but not the only one. Some of these new funds, while strongly African in identity, agenda and focus, were set up by/ incubated via foreign donor organisations or through bilateral basket funding mechanisms; some community foundations were established via foreign donor initiatives; while other community foundations or community philanthropy organisations have emerged very organically, in very low income areas.

This background paper would benefit from a more substantive outline or reflection of philanthropy in Africa. Although there is a paucity of data on giving in Africa, as a continent, there is some academic research and the following sources may be of value in providing more substantive information:

The State of Philanthropy in Africa by TrustAfrica

The State and Nature of Philanthropy in East Africa by the East Africa Association of Grantmakers

The journal *Philanthropy in South Africa* by the Centre for Civil Society at the University of KwaZulu Natal

Philanthropy in Egypt by Marwa El Daly

Giving and Solidarity – Resource flows for poverty alleviation and development in South Africa by Adam Habib and Brij Maharaj (editors)

The Poor Philanthropist, a series of papers by Susan Wilkinson-Maposa et al.

Follow the Money! Policies and Practices in Donor Support to Civil Society Formations in Southern Africa by the Southern Africa Trust

Kenyan Diaspora Philanthropy – Key Practices, Trends and Issues by Jacqueline Copeland-Carson.

Philanthropy in BRICS states – a (very) short overview

To take into account South-South giving, i.e. philanthropy between emerging economies or developing countries, the following pages look at selected BRICS countries Brazil, India, China and South Africa.

Natasha Desterro from the Pacific Foundation Services reported on the state of philanthropy in the BRIC countries Brazil, Russia, India and China in an article written for Tactical Philanthropy Advisors in 2009. [87]

Brazil

Desterro summarises philanthropy in Brazil as a sector that 'is young and also grew tremendously in the 90s, when Brazil's dictatorship was phased out and a democratic government was put in place. The country opened itself up to foreign investments (and foreign aid), yet Brazilians individual charitable giving didn't change much as there's a cultural expectation of a 'top down' problem solving model in society.' As outlined earlier in this report, the majority of giving in Brazil happens through corporate philanthropy. *Corporate philanthropy usually implies a specific focus and agenda (by the company founder, chairman, board or shareholders) which might lead to avoid funding for 'controversial' issues like human rights, certain disease prevention, race or gender relations.*

The most relevant concept in Brazil is Community Philanthropic Organisations, or CPOs, which are partnerships between all players based on the strong tradition of corporate philanthropy and their community involvement.

Marcos Kisil, President of the IDIS Institute in Sao Paulo Brazil, describes this concept as follows: 'The CPO is a revised version of the traditional community foundation. A key difference is that it is not itself a grantmaker. CPOs do not gather or distribute funds but act as a broker and catalyst for all parties in the community that have funds or influence or other resources. [...]

The CPO itself is funded through an annual fee from the participant companies, which pays for salaries, basic office needs, publications, etc. When projects and resources to implement them are identified, the CPO acts as a broker, directing funds directly to the organisation that will be responsible for implementing each project. The CPO also follows each project, looking for results and evidence of impact that can be used to assure donors that their money is making a difference to the community and to help attract new donors for new projects. The model is flexible enough to accommodate local needs and circumstances. Each donor retains the responsibility for the quality of their giving, but on the understanding that it is the community that identifies needs, and that monitors the results and impact. This last point is crucial. The CPO model establishes a new paradigm for companies. Rather than a company branding a social investment scheme, developing a template, and applying it wherever it can, it has to be willing to have the priorities determined by the communities in which it works.' [88]

This concept of collaboration between the community and donors is further scrutinised in the 'creating shared values' from page 72 onwards.

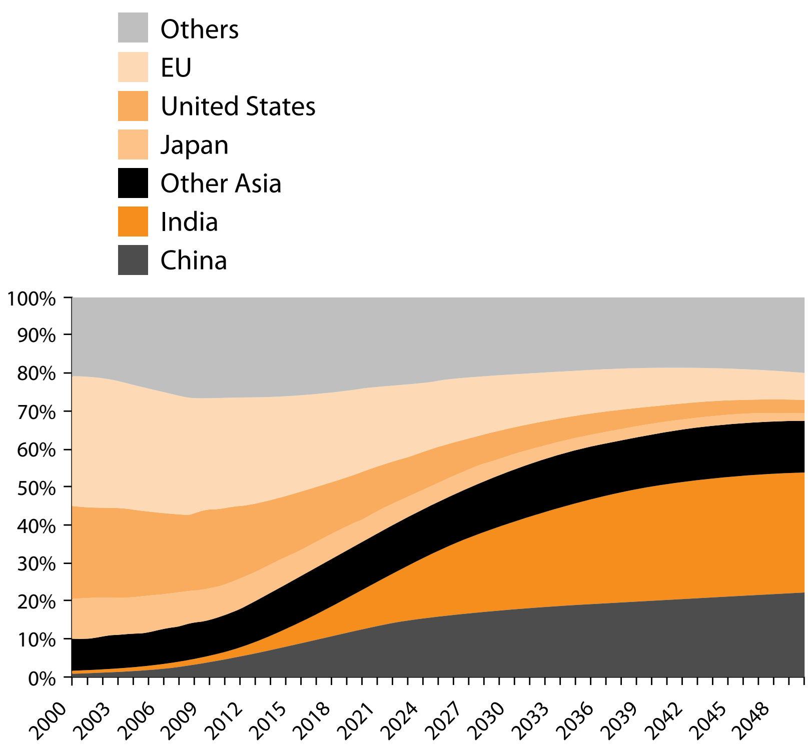
India

Natasha Desterro summarises philanthropy in India with the words ‘A new middle class has begun exploring new horizons of education, culture, and leisure – and with new wealth and the (second-strongest) growth in the number of billionaires (after China) there is a considerable amount of new forms of giving, too’.[89] Historically, India has had a very strong communitarian tradition but in recent years there was a slight shift away from only thinking about the local community, very likely driven by the growing number of Indian entrepreneurs who act nationally and internationally and do not necessarily want to see their grants all go back to one particular village. One practitioner of an intermediary organisation and fundraising consultancy operating in India described how too much localness is sometimes even an obstacle rather than the best practice case. The practitioner reported that ‘I still struggle a lot with funders saying “I only want to fund a women’s organisation in that particular village” as it is sometimes very hard to find that organisation’.

The overall trend in India is that people’s interest in helping others goes beyond the local community more often than in the past and people are slowly starting to for instance give to national anti-poverty schemes as well.

These new forms of giving are a slow but steady departure from the traditionally grown private and discreet giving in India towards more open philanthropy. Driving this shift is the rising middle class in India - see Figure 24. This is a trend not only in India but globally. Anand Joshua, Head of marketing channels at Chennai-based World Vision India put it this way: ‘There used to be the days when the West always led, but now it’s being taken on by Asian countries’.[90]

Figure 24: Shares of Global Middle Class Consumption, 2000 – 2050



Source: OECD Development Centre, The emerging middle class in developing countries, by Homi Kharas

China

Similarly, China has seen an increase in philanthropic activity. Desterro describes the long tradition of philanthropy and over the last 20 years, individuals in China see themselves as having an increased role in civil society. In 1998, there were about 50 individuals with a net worth of $50 million, in 2007, there were 2,000 individuals with a net worth of more than $200 million.[91]

For China, its middle class is still very small (less than 12%) as a percentage of the total population. That is one reason why China has been reliant on investment and exports as drivers for its growth. 'If exports are slow, the middle class is probably not yet big enough to take up the slack and propel growth forward at the rapid pace of the past' remarks a World Bank paper from 2010.[92]

To understand the landscape of Chinese philanthropy, it is important to consider that many NGOs are actually government operated, therefore are more appropriately termed 'Government Operated Non-Governmental Organisation' or GONGOs. In general, GONGOs exist to forward a government sponsored cause. According to a report on environmental GONGOs by the Wilson Centre,[93] GONGOs across different countries were originally formed to receive assistance from multilateral, bilateral or international NGOs and strengthen technology and information support. In China, GONGOs evolved in the mid-1990s as a hybrid between government agencies and NGOs and address a broad spectrum of social needs.

A short list of selected GONGOs reveals that many of them are actually recipients of grants from the U.S. – see our earlier analysis on page 41:

- China Red Cross Society
- China Charity Federation
- Beijing Charity Association
- Soong Ching Ling Foundation
- China Welfare Institute
- China Foundation for Disabled Persons
- China Foundation for Poverty Alleviation
- China Women Development Foundation
- China Youth Care Foundation
- China Children and Teenagers' Fund
- China Foundation for Guangcai Programme
- China Education Development Foundation.

For this report, an analysis of the foundation landscape in China has been conducted using the newly established China foundation centre database (CFC).

The creation of the CFC has been hailed as a turning point by many, including the Hauser Centre for Non-profit Organisations at Harvard University.[94] After all, the China Foundation Centre or CFC is 'a brainchild of some of the visionaries in the philanthropic field in China, such as China's best known philanthropic figure, Xu Yongguang, who created the Hope Project two decades ago which has become the best known philanthropic brand in China, and Shang Yusheng, who has been referred to as the Father of Accountability for non-profits in China'.

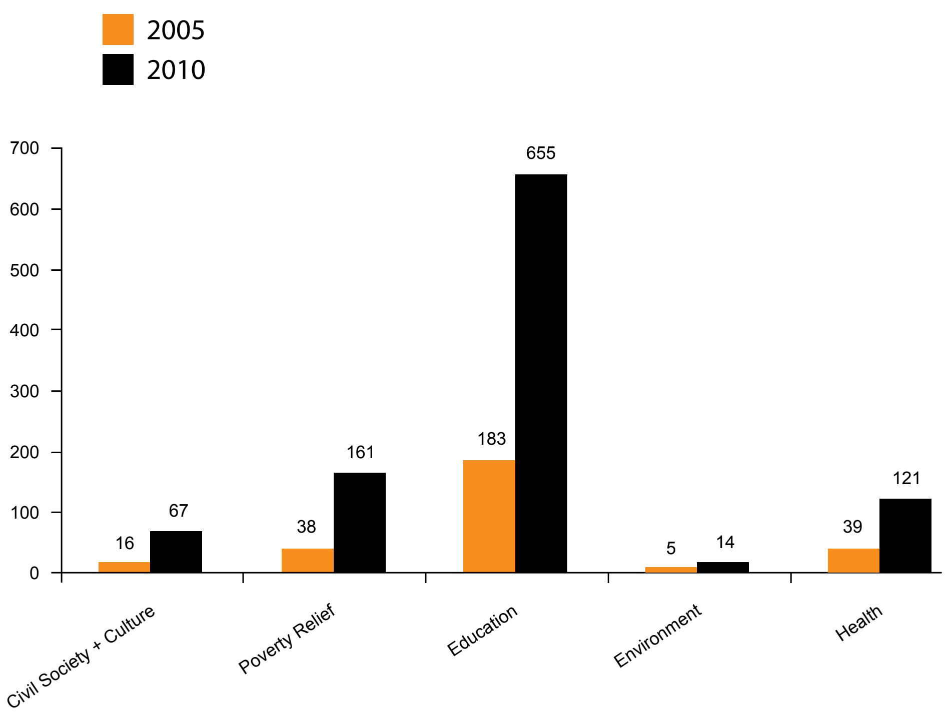
The Centre's opening ceremony in July 2010 has attracted the attention and support of best known actors in the field of philanthropy of China as well as the most prominent international players, including the Ford Foundation's first China Representative, Peter Geithner, China Representative of Gates Foundation Ray Ipp, China Representative of Ford Foundation John Fitzgerald, President of the Foundation Center in the U.S. Brad Smith, and Director of the Hauser Centre at Harvard University, Christopher Stone.

A news release on the Harvard website has summarised the China Foundation Centre's creation as a response to the increasing number of wealthy individuals in China for whom setting up foundations to give to charitable purposes has not yet been a commonly considered thing to do. 'The creation of the CFC represents a milestone in the evolution of the private foundation community in China, and makes it almost a default norm for the rich to consider giving'.

The second aspect of the database is transparency. Aspiring to become a portal to disclose detailed financial and programme information of all foundations (and non-profits) in China, the operation of the CFC aims to trigger a chain reaction that changes the fundamental behaviour of philanthropy in China.

First, Chinese foundations, especially the public fundraising foundations most of which are GONGOs, are under the pressure to comply and disclose their information too. This includes both their financials and their programmes. Some major GONGOs like the China Charity Federation, China Red Cross Foundation, are the government designated legal recipients of public donations from home and abroad in times of disaster. During the Wenchuan Earthquake period for instance, there were up to $8 billion donations and over 90% went to the GONGOs. For the Qinghua earthquake, the government issued an order to have these foundations transfer funds raised to local Qinghua government. When information disclosure becomes a norm for foundations, GONGOs will be under the pressure to account for the funds raised.

Figure 25: Top 100 foundations, funding by area, $million, 2005 vs. 2010



Source: China Foundation Centre Database; own analysis

For two selected years, 2005 and 2010, the top 100 foundations and their expenditure in five key areas has been analysed.

Expenditure by the top Chinese foundations grew by astonishing +260% over five years, from a total expenditure of 100 foundations of $286 million (or 1.8 billion Chinese Yuan) in 2005 to $1,033 (or 6.6 billion Chinese Yuan) in 2010.

Looking in detail at specific areas, it becomes clear that Education has seen by far the strongest growth in total expenditures in five years, while the number of grants in Education has not grown in line with the $ dollars per grant (see Table 13 / Figure 25).

The category Education includes university foundations, research centres but also youth education and youth empowerment schemes such as the China Youth Development Foundation which runs programmes to build and improve schools, libraries, computer labs, playgrounds and also supports teachers in their daily work.[95]

A selected number of educational facilities (see Table 14) exemplifies the staggering growth that some of these institutions have seen over five years according to the China Foundation Centre's database.

South Africa

As a recent study on African Philanthropy remarked, 'African philanthropy isn't something that needs to be introduced by anybody because Africans have strong traditions of self-help, self-support, voluntary institutions, rotation credit and associations like South African stokvels.'[96] In South Africa institutionalised philanthropy which supports educational facilities, health and social services beyond the mere neighbourly support that is so strong on the continent and especially in South Africa, is growing, but still small-scale compared to other emerging markets. One of the reasons for this is described to be the lack of a culture of giving.

Local organisation in South Africa is huge, with examples where communities organise voluntary neighbourhood security groups to reduce crime and delinquency in their local area, or form semi-formal associations to allow people to gather in a whole range of clubs – savings clubs, grocery clubs, burial societies and so on – and pool money. Access to these collective assets is generally rotated or shared by the group members.[97] However, new money that is prevalent throughout the African continent does not give it away easily.

Table 13: Top 100 Chinese foundations*, funding by area, $million, 2005 vs. 2010

	2005		2010	
Areas	**Count**	**$million**	**Count**	**$million**
Civil Society and Culture	13	15.5	6	66.8
Poverty Relief	12	37.6	14	161.4
Education	52	183.4	65	655.1
Environment	4	5.4	1	14.5
Health	17	39.3	11	120.7
Other	2	5.1	2	15.1
Total	100	286	99	1,034

Source: China Foundation Centre Database; own analysis
* Note: 'Top 100' for this table and also the below chart refers to the Top 100 foundations in that given year

Table 14: Selected Chinese foundations and their grant amounts in $ dollar in the area of Education, 2005 and 2010 (incl. % growth)

	2005	2010	
	$million	$million	% growth
Beijing Youth Development Foundation	9.2	60.7	+558%
China Sports Foundation	8.5	26.2	+207%
Jiaxing Education Foundation	17.9	29.8	+66%
China Women's Development Foundation	24.4	174.8	+615%
China Postdoctoral Science Foundation	117.2	424.0	+262%

Source: China Foundation Centre Database; own analysis

A shift in traditional values which is being detected does not make things easier. As the paper by Wilkinson-Maposa remarks, 'with economic change, the content of help has become more monetary, affecting the motivation behind assistance. In South Africa, some informants talked about how the tradition and notion of Ubuntu – the recognition of oneself through others – is dying out and there is nothing to fill the gap or replace it. [...] Ubuntu is vanishing. [...] Because our homes differ in terms of income, [...] those with income give material help more than emotional help, and those homes with nothing provide emotional help and their presence'.[98]

Conclusion

Emerging countries such as Brazil, India, China and also African nations have witnessed significant growth in *domestic* philanthropy. The notion of reliance on local organisations and players instead of waiting for foreign money to come in has created thriving philanthropic landscapes with unique characteristics and particular opportunities.

Section 3: New philanthropy

Key findings:

- The new landscape of development finance is result of a new breed of philanthropic actors, new financial techniques and a new micro-level approach
- Microfinance has successfully gone through the different stages that the now emerging impact investing industry is likely to go through much faster
- Impact investment instruments have potential for huge returns and assets could be worth $400 billion and more
- These impact investing funds are not the silver bullet but just a complement to traditional philanthropy
- Impact assessments which form the basis of any impact investment have certain shortcomings which are difficult to eliminate: While a philanthropist's horizon and funding 'milestone' is usually two to three years, a non-profit organisation often can give only 'piecemeal impact demonstrations' within those first years, therefore 'fails' an impact assessment and falls short of funding at a crucial stage
- Innovations such as microfinance but also a new way of approaching philanthropy in general has been triggered by three key changes: 1) new philanthropic actors searching synergies with business, and a new type of institution: the Social enterprise 2) the implementation of new financial techniques and 3) a new micro-level approach that focuses on small communities as level of action.

A paper by Severino and Ray from 2009 examined the new landscape of overseas development aid, which has evolved from 'official development assistance' by OECD member states (only) to a multi-actor and multi-policy environment of both private and government actors. Looking at the challenges ahead, the authors conclude that 'reaching the necessary scale of results in the fight against poverty, climate change or the rampant food crisis will require using the considerable firepower of the private sector'.[99]

The authors describe several new actors and tools that have emerged over the years and exemplify their point of a new landscape and a new type of collaboration using the example of Microfinance (see Figure 26).

Traditional government aid in the form of bank transfers to recipient governments had proven to be largely unsuccessful and governments came to be known as both innovation-poor and low-funded. Microfinance was, so the 2009 report suggests, the result of the coming together of new actors invigorating new developments on three levels: At the actor level (new actors with a new focus on systemic impact, see top-box), the financial technique level (middle box) and the society level (see bottom box).

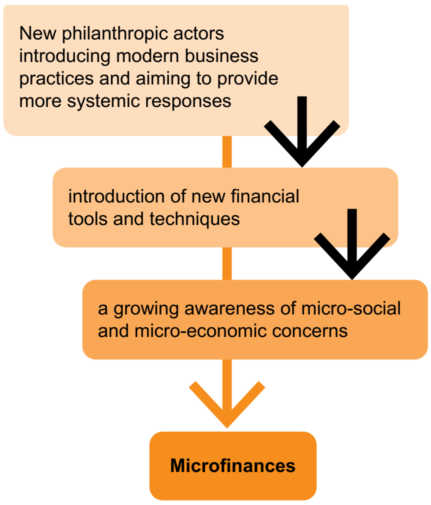
These three levels,

1. New philanthropic actors,
2. New financial techniques and
3. The micro-level approach

are being examined closer over the following pages.

The segmentation analysis highlighted the Indian Giving Circles by DASRA, the Brazilian CPOs and community foundations. These types of collaborations all form a new or evolved type of institution based on cooperation between business and communities and government. Even the Brazilian CPOs which – historically – grew in opposition to the (as corrupt perceived) government have evolved and became 'strategic hubs' of cooperation between citizens and the government.

Figure 26: Three layers of innovation in Microfinance



Source: own graph; based on Severino and Ray

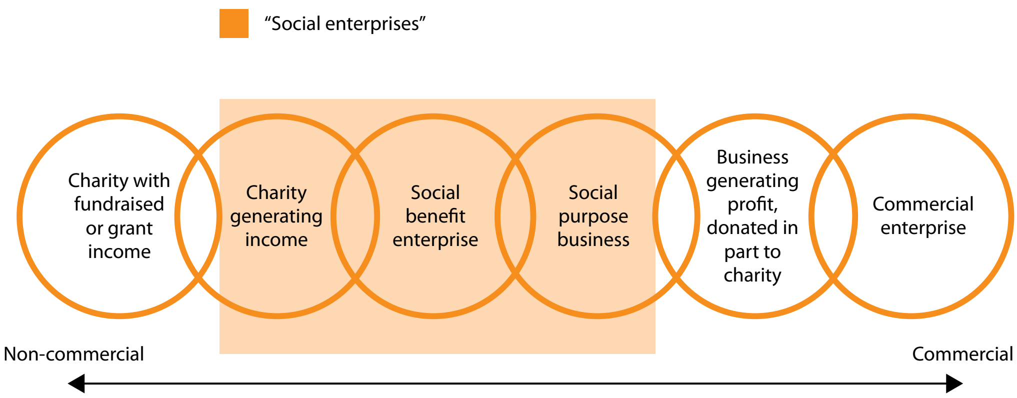
New philanthropic actors

Social enterprises – a promising hybrid model

A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

Government funded social enterprise incubators have, especially in the UK, taken off from a good start. Institutions such as the Young Foundation in Britain have both under the past Labour government as well as the current administration proven to win grants for their incubator programmes and social enterprise pilots which to some extent had become part of the 2011-launched (and 2012-buried?) government's 'Big society' concept and action plan.[100] Cross-national incubators such as the Social Innovation Exchange SIX are bringing together ideas from various countries, too.[101] For an exhaustive and thorough analysis of the social investment market and landscape, see the report by ClearlySo from July 2011.[102]

Figure 27: Spectrum of social organisations



Source: Graph adapted from ClearlySo report, 2011

A social enterprise: BRAC

A social enterprise worth examining is the Bangladesh-founded institution BRAC, originally a micro-finance provider, which in 2012 celebrates its 40th anniversary.

The Economist reported on BRAC in 2010 writing that 'BRAC has probably done more than any other institution to upend the traditions of misery and poverty in Bangladesh. BRAC is by most measures the largest, fastest-growing non-governmental organisation (NGO) in the world – and one of the most business-like.'[103]

The Economist continues: 'although Mohammed Yunus won the Nobel peace prize in 2006 for helping the poor, his Grameen Bank was neither the first nor the largest microfinance lender in his native Bangladesh; BRAC was. Its microfinance operation disburses about $1 billion a year. But this is only part of what it does: it is also an internet-service provider; it has a university; its primary schools educate 11% of Bangladesh's children. It runs feed mills, chicken farms, tea plantations and packaging factories. BRAC has shown that NGOs do not need to be small and that a little-known institution from a poor country can outgun famous Western charities.'

Ian Smillie calls BRAC 'undoubtedly the largest and most variegated social experiment in the developing world' in his book *Freedom from Want*. The *Economist* continues: 'BRAC earns from its operations about 80% of the money it disburses to the poor (the remainder is aid, mostly from Western donors). It calls a halt to activities that require endless subsidies. At one point, it even tried financing itself from the tiny savings of the poor (i.e., no aid at all), though this drastic form of self-help proved a step too far: hardly any lenders or borrowers put themselves forward.'

What makes BRAC unique, the article describes, is its combination of business methods with a particular view of poverty. *The Economist*: 'Women became the institution's focus because they are bottom of the heap and most in need of help: 70% of the children in BRAC schools are girls. Microfinance encourages the poor to save but, unlike the Grameen Bank, BRAC also lends a lot to small companies. Tiny loans may improve the lot of an individual or family but are usually invested in traditional village enterprises, like owning a cow.' BRAC's aim of social change requires not growth (in the sense of more of the same) but development (meaning new and different activities). Only businesses create jobs and new forms of productive enterprise.

After 30 years in Bangladesh, BRAC has (more or less) perfected its way of doing things and is spreading its wings round the developing world. It is already the biggest NGO in Afghanistan, Tanzania and Uganda, overtaking British charities which have been in the latter countries for decades. [104]

BRAC's fast growth and expansion has also made the social enterprise suffer from ill practices such as selling too many loans to over-indebted clients – as process which has been described as that 'the motives on both sides of the loan transactions were mixes of good intentions, over-optimism, and inertia. For lack of credit information sharing, such as through a credit bureau, no one could see the big picture'. The research community generally agrees that BRAC in Bangladesh has grown too large too fast in recent years. BRAC and ASA have halted or reversed their growth in recent years, it is reported.[105]

'BRAC is already the biggest NGO in Afghanistan, Tanzania and Uganda. Coming from a poor country – and a Muslim one, to boot – means it is less likely to be resented. Its costs are lower, too: it does not buy large white SUVs or employ large white men.'

Article in The Economist "BRAC in business", 18 February 2010

New financial techniques

Microfinance is evolving from credit to inclusive financial services

Maximilian Martin reviewed how the microfinance field has successfully gone through different stages leading to the emergence of a new asset class and a $25-30 billion market with roughly 100 million borrowers, with a potential demand of 500 million borrowers and a market size of $250 billion.

Microfinance and related emerging markets financial services are at the frontiers of philanthropy in the decades ahead, and present an enormous capital allocation and social impact opportunity. Microfinance is currently transitioning from a focus on credit to inclusive financial services, i.e. it has evolved from providing microcredit only to including micro-savings, micro-insurance, remittances and other financial innovations.

Martin concludes that 'over the past three decades, the microfinance field has successfully gone through the different stages that the now emerging impact investing industry is likely to go through over a shorter period of time.'[106]

Impact investing

'Impact investing' refers to investment vehicles built to solve the world's most pressing social challenges, while offering investors social and financial returns. Impact Investing has emerged as a viable and growing discipline however it is still a nascent market until investors put their money into these funds at a large scale. Industry initiatives have been drawn up to increase structure, transparency and accessibility of these financial tools.[107]

> *'Impact investing is not trying to replace philanthropy; it's a complement to philanthropy.'*
>
> **Antony Bugg-Levine, Rockefeller Foundation**

New financial intermediaries – GIIN, IRIS and GIIRS

New financial actors, philanthropic and corporate institutions, have joined forces in 2010 to form a Global Impact Investing Network, or GIIN, and propel the effort of more transparency and guidance in a rather young industry. Supporters of GIIN are including the Rockefeller Foundation, Deloitte, PwC, Hitachi, Citigroup, Deutsche Bank, JPMorgan and the Bill & Melinda Gates Foundation.

As the *Financial Times* put it, 'proponents say the framework GIIN may not only bring capital to worthy organisations in far-flung locales, but should also establish benchmarks that could rate the social good any company, bond, or fund generates.'[108]

The GIIN network has since established a set of standards (Impact Reporting and Investment Standards initiative or IRIS) which addresses investors who would be willing to choose investments based on their social benefit if only they had a credible way to measure it. IRIS allows assessing the actual impact that these investments have and case studies are currently being produced which highlight the usage and advantage of these indicators for those kinds of funds.[109]

The Global Impact Investing Rating System or GIIRS was then designed to develop ratings for social and environmental impact funds, providing a judgment akin to a Morningstar investment rating or S&P credit risk rating.[110]

Impact investment funds

Assets in impact investment funds could grow to be worth between $400 billion and $1,000 billion over the next decade in sectors such as clean water, maternal health, primary education, microfinance and affordable housing according to the most recent study by JP Morgan and the Rockefeller Foundation.[111]

The report analysed over 1,000 impact investments in five sectors (housing, water, health, education, and financial services) that target global populations earning less than $3,000 annually. In the field of impact investments in these sectors alone, the report estimates a $400 billion to $1 trillion investment opportunity, with potential profits ranging from $180 billion to $600 billion.

Impact investment is aimed at those 'at the bottom of the pyramid' who earn less than $3,000 a year, and where the aim is to have a positive social impact, not just produce returns – although the study demonstrates that nevertheless real returns are being made.

The market is still young and a complete overview of its size is currently hard to establish. While the current total size of the market is estimated to be around $50 billion,[112] the Top 50 American impact investment funds are holding an estimated total of around $6 billion assets.

An analysis of the top 50 impact investment funds currently on the market made clear that a large number of them are actually just serving North America. A closer look reveals that many of these North American social impact funds are focusing on clean tech, health and housing while less are focusing on financial inclusion, i.e. microfinance and low-income financial services – a key goal for many of the developing world funds.[113]

Out of this list of 50 funds, 25 have registered with the first widely accepted industry body, the GIIRS, which provides accreditation. These 25 Pioneer GIIRS funds represent $1.2 billion and have investments in more than 200 high impact projects in 30 countries.

Severino and Ray concluded in 2009 that these kinds of funds 'combine the expertise of development actors, the resources of private investors and the public guarantee of philanthropic or public donors enable to channel precious resources to under-funded areas or activities.'

For instance, the Agence Française de Développement (AFD), the bank Crédit Agricole (CA) bank and Danone have teamed up to establish an investment fund ('Danone Communities') that taps into mainstream financial markets to invest in programmes with high social impact.

Table 15: Impact Investment Funds, Top 50, by regional focus, 2011

Regional Focus	Count	%	$million (appr.)*	% count	% assets ($)
All	50	100%	5,733	100%	100%
Developing world only	13	26%	1,243	26%	22%
Developed & developing world	16	32%	2,290	32%	40%
North America only	19	38%	1,700	38%	30%
Europe only	2	4%	500	4%	9%

Source: ImpactAssets.org, own analysis
More detailed description of some of the funds: http://www.giirs.org/for-funds/pioneer
* Note: These figures are own estimates based on figures provided by ImpactAssets.org. These figures are 'Assets under management' (AUM) which does not give an indication how much is actually being invested.

This first common experience has led AFD and CA to launch a large fund for the general public that will guarantee the investors revenue, liquidity and security standards equal to those of any highly secure financial vehicles – but which will partly be invested in development projects. In the aftermath of the 2007/2008 global food crisis, specialised investment funds are also being devised to incite sovereign investors to finance agricultural production in Africa.

Severino and Ray further pointed out that 'the long-term yields of international financial institutions based on such business models confirm that the conceptual distinction between "for-profit" and solely "for solidarity" activities is largely artificial'.[114]

> *'The Big Society Bank will provide £600m of new capital for the social sector.'*
>
> **City of London Social Investment Report 2011**

Social impact bonds and the 'payment by result' approach

In 2010, the then UK Justice Secretary Jack Straw announced the world's first social impact bond pilot. Based on a *contingent return* model, it aimed to mobilise up to £5 million for several specialised charities that work with the Peterborough prison in Cambridgeshire, England. The charities will provide a range of mentoring, education and social support services for 3,000 male prisoners who have been sentenced to less than a year in jail. The UK Justice Secretary argued: 'It is the short-term prisoners who have the highest propensity to reoffend. This bond will help to moderate increases in the prison population and produce a benefit for society'. The chief executive of the St. Giles Trust, one of the specialised charities selected to deliver services at Peterborough, described the bond as a 'funding revolution'. The model is straightforward: the investors will receive a dividend from the government only if the programme achieves a reduction greater than 7.5% in reoffending among the prisoners covered by the programme, who are measured against an equivalent control group on the UK police national computer. The returns are contingent on success: the more money UK state agencies save through the programme, the higher the return paid to bond investors, rising to a maximum of 13%, with payments made during years six and eight. If successful, the pilot has high replication potential.[115]

As *The Economist* has described in August 2010, policymakers on both sides of the Atlantic are keen on a new approach to alleviating society's troubles. On 22 July, Barack Obama's administration listed the first 11 investments by its new Social Innovation Fund (SIF). About $50m of public money, more than matched by $74m from philanthropic foundations, will be given to some of America's most successful non-profit organisations, in order to expand their work in health care, in creating jobs and in supporting young people.[116]

Other bond instruments

The International Finance Facility for Immunisation (IFFIm) initiative, launched in 2005, consists in issuing bonds backed by legally-binding 10 to 20 year donor government commitments. By frontloading long-term aid flows, this resource-mobilisation instrument aims to both lock in precious resources over a given period of time and achieve a critical mass of funding to allow for quick progress towards the Millennium Development Goals (MDG). The 2006 bond launch raised $1 billion. IFFIm aims to raise four times as much on capital markets over the next 10 years – enough to support the immunisation of half a billion children through campaigns against measles, tetanus, and yellow fever.[117]

For Diaspora Bonds please see page 35.

Corporate Social Investing: 'creating shared values'

As highlighted in previous chapters on Brazil and corporate philanthropy, a new concept has been introduced that brings together communities, community organisations and foundations with corporations. Especially for developing countries where involvement of corporations is stronger than in developed markets, this concept manifests a clear opportunity to leverage the funds from companies.

Academics and consultants are seeing a change in mindset in the business world. For larger corporations which have so far engaged in the usual corporate social responsibility activities, leading thinkers Mark Kramer (of the consultancy firm FSG) and Michael Porter (from Harvard University) in the non-profit-meets-business sphere have developed a new set of terms – the concept of 'Shared values' (see Figure 28). The concept of shared value, which focuses on the connections between societal and economic progress – has the power to unleash the next wave of global growth, so the authors claim.[118]

'An increasing number of companies known for their hard-nosed approach to business – such as Google, IBM, Intel, Johnson & Johnson, Nestle, Unilever and Wal-Mart – have begun to embark on important shared value initiatives. But our understanding of the potential; of shared value is just beginning. Every firm should look at decisions and opportunities through the lens of shared value. This will lead to new approaches that generate greater innovation and growth for companies – also greater benefits for society.'

Figure 28: The evolution of Corporate Social Responsibility

Pre-2000	2000-2005	2006-2010	2010 and beyond
'It is not a problem'	**'It is a problem'**	**'Let's solve the problem'**	**'It's an opportunity to create shared value'**
• Let's ignore or understate the problem • Let's minimise our responsibility • Philanthropy is about personal values	• Let's minimise the problem and throw some money at it to show we're contributing • CSR and philanthropy is about corporate reputation	• We need to add costs to fix the problem • We need to report transparently on our results • We can use our core business capabilities to find solutions	• We can lower costs, grow revenues, or differentiate our value proposition by addressing social problems • Even social problems we don't usually affect pose opportunities

Source: FSG Social Impact Consultants

As an example serves the Bill & Melinda Gates Foundation and one of their projects:

'The Gates foundation has formed partnerships with leading global corporations to foster agricultural clusters in developing countries. The foundation carefully focuses on commodities where climate and soil conditions give a particular region a true competitive advantage. The partnership brings in NGOs like Root Capital and TechnoServe as well as government officials to work on precompetitive issues that improve the cluster and upgrade the value chain for all participants. This approach recognises that helping small farmers increase their yields will not create any lasting benefits unless there are ready buyers for their crops, other enterprises that can process the crops once they are harvested, and a local cluster that includes efficient logistical infrastructure, input availability, and the like. The active engagement of corporations is essential to mobilising these elements'.

Another example is the pharmaceutical company Novartis and its 'shared value activity' in India. Novartis has chosen a 'bottom-of-the-pyramid' approach by reaching out to low income households in India.[119] Instead of offering drugs for free or at discount prices (like many pharmaceutical players have so often done through single-drug donation programmes in the past) Novartis set up their Arogya Parivar – Healthy Families programme which aims at teaching health seeking behaviours. 300 health educators are employed to conduct community health education with focus on prevention, child & maternal health and symptom awareness.

The other services which this Novartis campaign offers are 'healthcare provider education' to address the problematic low level of medical training as well as 'supply chain management' to ensure continuity of supply in village pharmacies. [120]

The authors claim that corporations are improving their competitiveness (speak 'reputation') by creating shared values at three levels:

- By re-evaluating products and markets
- By redefining productivity in the value chain
- By enabling local cluster development.

1) The first refers to what the above African farmer example outlined – by helping develop not only the yield and harvest but also the buyer, logistics and competitive infrastructure, not only more yield is generated but also more demand, which is good for business.

2) The redefinition of productivity refers to 'conserving energy and natural resources and taking care of your employees, thereby reducing cost (energy, resources) and increasing productivity (happy workers), i.e. good for business, too.

3) The third refers to enhancing related and supporting industries and infrastructure, i.e. similar to 1).

Do good, (place your product) and speak about it

Their prime example for moving on from Corporate Social Responsibility (CSR) to Creating Shared Value (CSV) is that CSR was 'fair trade' purchasing while CSV is 'providing crop inputs, technology, training, and financing to increase small hold farmers' quality and yield'. *Sounds expensive, doesn't it?* However, looking at the above described example of Novartis in India, the authors claim that while Novartis has managed to reach low income groups, improve health seeking behaviour, open up new distribution mechanisms for their products (while Mark Kramer stresses the fact 'But not just for Novartis products only'), the programme has reached 40 million people and has broken even within the first 13 months.

Three other examples of this approach that have been recently highlighted are:

Adidas Group: Adidas has partnered with Nobel Laureate Muhammad Yunus' micro-finance organisation, Grameen Bank to manufacture a low-cost shoe for the poor in Bangladesh. 'The shoes will be cheap and affordable for the poor, besides it will protect people from diseases,' said Yunus. This programme is a perfect example of the shared value principle both for Adidas and for the Grameen Bank.

BMW: The BMW Guggenheim Lab is a mobile laboratory that will travel to nine major cities worldwide over six years. Led by international, interdisciplinary teams of emerging talents in the areas of urbanism, architecture, art, design, science, technology, education and sustainability, the Lab will address issues of contemporary urban life through programmes and public discourse. Its goal is to explore new ideas, experiment, and ultimately create forward-thinking solutions for urban life. This programme establishes a social purpose for BMW that could help address the exclusiveness/elitism of the 'Ultimate Driving Machine'.

H.J. Heinz: Heinz has launched a 'micronutrient campaign' to combat the threat of iron-deficiency anaemia and vitamin and mineral malnutrition among infants and children in the developing world. More than five million children in 15 developing countries have received sachets of vitamin and mineral powders that have been approved by UNICEF and the World Health Organisation as a cost-effective treatment for iron deficiency. Remarkably, at a cost of a little more than two cents per sachet, a child's micronutrient needs for a year can be met for an annual total of $1.50. This Heinz programme combines shared value with extraordinary social ROI.[121]

'There is no doubt that corporate donors prefer to put their money locally – partly because it increases their capacity to monitor the impact of it.'

Philanthropy Expert, South America

Impact assessment

The influx of business practices has fostered accountability, stakeholder management and overall professionalism. Across the industry and players, there is no doubt that philanthropy needs to understand more of impact assessment and that these processes are of vital importance for the industry. Until recently, as one expert remarked, 'philanthropists were happy with stories of change while there was often not much prove of how much change has actually occurred'.

However, many especially smaller institutions struggle with showing their long term impact. The key problem is that while a philanthropist's horizon and funding 'milestone' is usually two to three years, a non-profit organisation often can give only 'piecemeal impact demonstrations' within those first years.

To demonstrate impact, figures and measures are required. It is a crucial difference for non-profits in developing countries because of the lack of social reporting and government statistics that non-profits in the Western World can access. In developed countries, non-profits can use ad-hoc proxies to quantify something easily and quickly while in developing countries that is impossible.

The non-profit sector is at the crossroads at the moment, although industry insiders stress the fact that there won't be a single measuring template. Instead each actor and project needs to find its unique way of convincing shareholders and stakeholders by demonstrating the potential impact.

'If we fund only what we can measure there is a lot that we are going to miss.'

Philanthropy Expert, Asia

Large organisations are much more capable of developing, using and/ or implementing new ways of measuring the impact of their programmes, and industry experts stress the fact that larger players should lead the way in doing so in their field of activity. Smaller organisations which are in a similar field of activity could then follow them and adopt the impact measuring procedure that has been tested and accepted as valuable.[122] However, industry experts have highlighted that a 'valuable' procedure in this context may be defined very differently by an impact assessment body and by a community at the receiving end of the programme, and that the organisations of different sizes (trying to implement the same monitoring procedure) might rather add to the problem than the solution.

Nevertheless, monitoring schemes have been set up and best-practice cases established by relevant industry bodies for instance in the UK.[123]

The focus on large organisations to lead the way in SROI has been recommended by DASRA but has also been a policy of NPC, which in the past focused on analysing smaller charities but now turned its attention to bigger ones.

In general, any organisation of any size should be much stricter about the input and output description and much more efficient with their resources as well.

One of the recent and most meaningful players in the field of assessing charities and impact assessment is the U.S.-based service provider 'Charity Navigator' – providing ratings for charities as rating agencies do for commercial businesses. Their scores originally looked simply at overheads as a percentage of money raised which proved a poor guide, as low overheads may mean not thrift but ill-paid (and incompetent) staff. In July 2011 it revamped its ratings to give more weight to transparent and well-run charities while it is also testing a new 'impact' rating that is expected to be rolled out in 2012.

At first this will assess only whether a charity publishes any information about the impact of its work (but not whether this information is useful or credible). *The Economist* magazine concludes that although such data are still far from perfect it is better than none at all.[124]

There is no doubt that a global or at least multi-national framework will be established based on current efforts and pilots such as the Charity Foundation's information portal, already operative in many countries outside of its origin country, the UK.[125]

'If you are a charity on the ground, your accountability is first with the community and only second to the donor.'

Philanthropy Expert, Africa

In general, a SROI analysis is supposed to follow these six steps:

1. Establishing scope and identifying key stakeholders. It is important to have clear boundaries about what your SROI analysis will cover, who will be involved in the process and how. Often service users, funders and other agencies working with the client group are included in an SROI

2. Mapping outcomes. Through engaging with your stakeholders you will develop an impact map (also called a theory of change or logic model), which shows the relationship between inputs, outputs and outcomes

3. Evidencing outcomes and giving them a value. This stage involves finding data to show whether outcomes have happened and then giving them a monetary value

4. Establishing impact. Those aspects of change that would have happened anyway or are a result of other factors are taken out of the analysis

5. Calculating the SROI. This stage involves adding up all the benefits, subtracting any negatives and comparing the result with the investment. This is also where the sensitivity of the results can be tested

6. Reporting, using and embedding. This vital last step involves verification of the report, sharing findings with stakeholders and responding to them, and embedding good outcomes processes.[126]

Critique of impact assessment

Numerous experts have endorsed accountability measures and more transparency and better reporting tools. However, it is a trade-off – and the smaller a NGO is the more it is likely to struggle to fulfil these requests.

Sasha Dichter, executive at the social investment company Acumen Fund, described the solution to the 'impact assessment' dilemma as follows:

'Philanthropy is about generosity. Be tough and as much business as possible but at the same time be as generous as you can be.' [127]

A fundraising executive with extensive knowledge in developing countries – although clearly endorsing all monitoring and evaluation measures that are currently being implemented across countries in the NGO sector – has stressed the point that 'if you are a charity on the ground, your accountability is first with the community that you're working with, it is only second to the donor.' She further remarked:

'Everybody likes to know what happens to their money, and whether there money has any impact. However I do worry that with things that drive the impact we distort the way in which giving happens. I have been on the other side of the equation working with NGOs in Africa and with recipients of donor funds, and seen the pressure put on them to conform to what donors want. Imagine you report to someone who sits 10,000 miles away from the issue that is being addressed, and that institution thinks it has the answer and the organisation on the ground is responsible for achieving a particular donor-defined goal... this can change impact. And the on-the-ground operations are then so busy with running after impact and measurement they end up not being as effective as they could be.'

Conclusion

Large organisations are much more capable of developing, using and/ or implementing new ways of measuring the impact of their programmes, and industry experts stress the fact that larger players should lead the way in doing so in their field of activity. There is little doubt that a global or at least multi-national framework will be established based on current efforts and pilots such as the UK Charity Foundation's information portal. Caution should always accompany these evaluation efforts, and *qualitative* assessments (in contrast to *quantitative*) of programmes should probably outweigh those attempts.[128]

The micro-level approach

The previous chapters examined the impact of business ideas on the non-profit sector, the emergence of new philanthropic actors, examined new financial techniques as well as innovative approaches to corporate social investments.

All these issues have in common the micro-level approach, whether social enterprises work with small communities, micro-finance institutes give small loans to individuals, social investment funds support micro-farming in India or whether the corporate 'Shared values' concept brings together companies and their surrounding community. The term mentioned in this context is 'community buy-in'[129] which essentially means to have support from those people that are being addressed by or affected by a particular programme. Therefore, a crucial aspect of the micro-level approach is collaboration. Over the following pages, collaboration between philanthropic players will be examined closer.

While many practitioners have reported that collaboration between players in development causes – whether domestic, foreign or multilateral actors – is still very poor, there are examples for cooperation that have managed to convince even sceptics of their potential.

Philanthropy is often informed and shaped by strong family connections and individual's background respectively. Therefore, the funding often goes to causes in that particular family's interest. In India, collaboration is all about getting families to work together and DASRA, a development and NGO support agent, has developed and implemented 'Giving Circles' which are based on philanthropic families and a strongly local approach towards donations and funding. In contrast to those 'Giving Circles' where corporate players can join at a later join and top-up funds but do not take the lead from the start,[130] U.S. community foundations are usually kick-started by large corporate funds and donations. The general model of a community foundation has its origin in the U.S. but these kinds of foundations[131] and also types distinctly different from the U.S. model (which do not necessarily involve collaboration between these three aforementioned sectors) are increasingly being implemented in developing countries.[132] For a specific type of cooperation in Brazil, the Community Philanthropic Organisation, or CPO, corporate funding is also essential.

While these three types of institutions – India's Giving Circles, U.S. community foundations or Brazil's Community Philanthropic Organisations – are all unique and historically-grown, all of them have in common the 'community buy-in' and micro-level approach.[133]

'If you have the money you don't have to collaborate with anyone – all you need is a grantee.'

Philanthropy Expert, Asia

'Those institutions most sensitive to their stakeholders are the ones that will live.'

Philanthropy Expert, Australasia

The micro-level approach is important in two ways: for international donors and funds, it becomes more and more vital to cooperate with indigenous players to secure if not at least allow the possibility of community buy-in, and therefore impact. For domestic players, cooperation with other domestic players from different sectors and backgrounds increases resources, leverage and impact, too. When trying to achieve good community buy-in, it always helps to remember that a community is a group of individuals not a single entity. A non-profit organisation cannot attract a community any more than a new kid on the block can make friends with 'a school'. True buy-in comes from developing positive relationships with the people in it.

Practitioners consulted for this report highlighted that the micro-level approach or 'localness' seems to be the key to success. Working together with others, whether NGOs, corporations or local government units, is deemed to be more successful as each player brings its own set of resources to the table. However, keeping such a partnership going takes 'a lot of work and goodwill, so much goodwill' – as one fundraising executive remarked. Working together with other actors for development requires openness in perspective in looking at others, and establishing partnerships and trust. If that actor is the government it needs taking off the suspicions that non-profits have of government, and vice versa. The problem is that not every actor is amenable to the task.

The following example for successful collaboration between various players is from the Philippines and highlights the immense success possible with bi- or even tri-sectoral cooperation.

'Give me the money and I'll do what I was going to do with it anyway – I hear that a lot from NGOs and that's really not the way to do it!'

Philanthropy Expert, Asia

The Philippines' League of Corporate Foundations was set up by corporations to share best practice. Over time its members examined what each of them were funding and they realised that 70% of them had an interest in education. As it is often in the area of education, the members realised that there were plenty initiatives and areas where government knew what needed doing and had some programmes in place. The corporations realised they couldn't cover the whole country. Instead the corporations chose the localness approach and, for example, one bank that had branches in one particular province decided to concentrate on that particular province, getting all members to buy into some three or four basic areas that could be addressed, like school lunches for example. The federal government then went to the local administration departments and asked them if they were interested in collaborating. It manifests a multi-sector undertaking between business and government and local government as well as NGOs who are local to the area. One practitioner described the project as 'it works, and it works with more impact because you're all on the same page. You're not just doing whatever it is you want to do, but trying to get systemic change'.[134]

Cooperating with and empowering local players often means bypassing governments and/or regional administrative bodies – which can prove the single biggest obstacle for more collaboration between philanthropic players. *The Economist* magazine spoke to Stephen Goldsmith about innovation in delivering social services. Goldsmith, a Harvard professor but also chairman of the Corporation for National and Community Service and advisor to the mayor of New York, said: 'I can think of 1,000 innovations but I have not yet had an innovative idea in any meeting that was legal.' Governments, so *The Economist* article, seem particularly bad at shifting money from old budgets to new ones, which is one reason why Social Innovation Funds such as the American Social Investment Fund (SIF) has started with only $50m.

Every government agency should be required to put 1% of its budget into innovation funds, argues the Centre for American Progress, a think-tank with strong ties to the Obama administration. The Young Foundation has proposed the same policy in Britain, *The Economist* concludes. [135]

This issue of 'shifting money from one pot to another' is an increasing problem and an immense opportunity at the same time. New partnerships between governments, business and civil society mean that it is no longer just **fundraising** (NGO seeks funder) or **philanthropy** (funder seeks grantee or NGO) but also '**resource mobilisation**'. Resource mobilisation describes the process where existing funds – usually at government level but not in all instances – are utilised and re-allocated, i.e. accessing money that is already available.

'Collaboration is not well tried in India and there is still resistance to it. India has a legacy of people who are very quiet about their giving. Out of millions of non-profits only a small proportion are open and transparent. A lot of individuals are giving ad-hoc to support families or old people very directly.'

Philanthropy Expert, India

Some thoughts on collaboration in overseas giving

Problems of collaboration can occur when not every player is equal to the task. In many cases existing partnerships are driven to the wall not because of the unwillingness to cooperate but because of the relationship being unequal. This is especially the case when international foundations come into play – and the problem of a '**donor-driven**' agenda occurs.

'If you are interested in making your fund go a longer way it is important to look for partners.'

Philanthropy Expert, Africa

The following example of a rather unfortunate collaboration was given by a philanthropy expert working in Africa:

'It's happening all the time, but let me give you just one example. I went to a programme in Central Ghana, a couple of years back. I've been to the organisation before, a really good and strong organisation. It was working with young people on HIV Aids issues and they were really good at what they did. They had community buy-in. They had an agenda and they were doing it well. And they were being funded by an American foundation. Over the years their dependency on that American foundation grew because it went from one programme to several programmes. And then the foundation changed its focus and said to that organisation that they have been working very well with, they had a very good partnership, "Actually we're not going to be funding HIV Aids anymore now and we're seeking a transition to Microfinance and Economic Empowerment instead". And the organisation looked at its team and concept and realised they did not have that expertise but they did have a community buy-in. They felt pressurised because they knew if their workers would not have jobs it would be terrible as they had been working with them for a long time, so what they did is they rationalised and said "If we move into that new area we still will be able to work with those young people, we still will be able to deal with the HIV Aids prevention issue but we might have to do just a bit less of what we're doing now". Within two years the organisation was a mess because they did not know about micro-finance, they could not deal with all of the implications. Then the funders said "We are not seeing the results that we intended to see and we're not seeing the impact we are after, so we will stop giving you the money"'.

Regarding this case, it seems not only incomprehensible that the American foundation has agreed to the NGOs attempt to change focus, but moreover the fact that the funders have pushed through the agenda change in the first place. Even if they change their focus, a funder should know what their partner is good at. Essentially there was a lot of naivety on the part of the funder who thought that microfinance is the answer to everything and that anybody can do it. In their head it might have sounded like 'Hey this is the perfect match so let's get in where it is already happening'. However, to succeed you need special views and knowledge and if you don't have that you mess up.

A positive example for collaboration and local expertise again from the developing world was the involvement of the Kellogg Foundation in Latin America in the early 1990s. A Brazilian Fundraising Executive described it as follows:

'Normally the international donor had no interest in the local donors. The Kellogg Foundation created a specific programme that aimed at creating better conditions and help the development of local philanthropy in Brazil, and everywhere in Latin America and the Caribbean. It was the first time that an international foundation in our region put their help towards local donors. This represented an opportunity to help donors of the region to perceive their own role and participation in society as more important. This project by the Kellogg Foundation was in the first half of the 90s and created the current generation of philanthropic leaders that are leading the country today'.

In the case of Brazil, current cooperation between local foundations and foreign foundations and the opportunity to set examples and benchmarks has been highlighted, too. It is about creating confidence amongst players and, as the Brazilian fundraising executive explained, having good examples that can serve as benchmarks for other organisations.

The overarching goal seems to be to establish local players, support and strengthen existing ones, create best practice cases and distribute these – with the overall goal to avoid that donors are operating too far apart from their grantees.

A fundraising executive with a strong focus on the *developed* world and Australia/New Zealand has a quite different perspective, describing her day-to-day work as convincing NGOs and potential grantees to be 'totally donor-focused' – in response to the crowded market place and their increased demand for transparency and impact.

> *'I think we have to be totally donor-focussed. We have to be thinking always about what the donor want, needs, expects. It is crucial to treat them with great respect and great appreciation. Some organisations are better at that than others. And the ones who are not doing it well are left behind, because nowadays donors know what they should expect – whether they are corporations, trusts or even individuals. We do have to be enormously respectful and considerate of donors – even more than we have been in the past. Otherwise they will go somewhere else'.*

Whether in the developing or developed world, any approach towards implementation of evaluation tools should always aim to take into account local players on the ground. After all, the advice from fundraising and grant-making experts in developing countries is the exact opposite to the above 'New Zealand approach', i.e. 'Become *less* donor-driven'. That does not mean to avoid accountability, but the priority in developing countries is on being held accountable by a local agent instead of a foreign player.

A philanthropy expert from a developing country explained:

> *'I think it is really important for international funders to have an idea what's happening on the ground. But it is also very artificial to think that, if two board members come to a particular country that they have never been to before and they had no or little knowledge of, that a visit gives you a flavour of what's going on. Your partner set up the meeting and while nobody would say that the meeting is set up deliberately to favour anybody or anything it is still very likely to see a very limited slice of what's happening.'*

In conclusion, it is crucial to make the effort and get to know one's stakeholders; underpinning this is a more fundamental action – to determine your key stakeholders. Not all American foundations that are working internationally have offices or people on the ground. Are their stakeholders the partner organisations in that particular country or are their stakeholders the ultimate recipients/ beneficiaries of the funds? Ideally the primary stakeholders should be the ultimate beneficiaries. Problem is that it is very difficult for any donor to approach and/or understand the ultimate beneficiaries (communities, individuals) and their concerns, mechanisms and procedures; therefore it calls for an intermediary organisation, which is based in that particular country or region.

Part of the solution is looking for partnerships instead of looking for investments only. Whether in Africa or Brazil, national and continental grant making organisations exist that can be approached by international donors. For the case of Africa, the Ford Foundation has done just that with their partnership with the Kenyan grant-making organisation, the KCDF.[136]

> *'We see more and more interest of the civil society to enter into partnership. I think the idea of a partnership between civil society, business and government is something worth considering.'*
>
> **Philanthropy Expert, South America**

The importance of local grant-making institutions

The expert on Africa who was consulted for this report stressed the fact that Africa lacks philanthropic intermediary services and advisors and the continent could do with more of these bodies, however 'usually these institutions are much more useful for the philanthropist than they are for the community. They usually can advise on how to spend your money, but they are sometimes less useful to the organisation that they refer donors to. I'd be much happier for philanthropic organisations having real partnership with African grant-making organisations who work in the same fields they work in. And the reason I support that notion is about **balancing the power relationship**.'

Balancing the power relationship

The 'power relationship' is a crucial point. An important distinction that takes it even further is that such partnerships with their often inherent inequality should look at granting 'to' and not granting 'through'. The first implies that primary decision and power making lies with the local institutions, the second that the local institution is merely a conduit for funds and programmes. An expert on African grantmaking described the dilemma as follows:

'If I am sitting in a room with any of the Northern-American grant-making foundations, frankly, I am perfectly qualified to agree or disagree with them, and in case I disagree I am happy to walk away. Whether it is the AWDF, the Trust Africa, Southern African Trust or the KCDF, anyone of these can do that – because they are strong and big enough, and they are grantmakers themselves. They can ultimately hold the same conversation.'[137]

The expert further explained that instead of searching equal partners, a partnership is often being discussed with people who do not have the same base – and with the power relationship being unequal, the outcome is very different.

Experts have highlighted that a large and grantmaking organisation such as the AWDF – despite being dependent on donors and coming under pressure to do things in a certain way – because it is a larger organisation it is capable of responding to particular funder's requests with 'As part of your donation to us and our outlined partnership, you are demanding too much in a certain area, and it's not going to happen'.

Considering the fact that even a larger organisation such as the AWDF might come under external pressure in certain situations, it becomes obvious what smaller players might be facing. The power imbalance between for instance the Bill & Melinda Gates Foundation working with a local community organisation in Northern Nigeria is hard to comprehend.

Experts have highlighted that what needs to be done to approach this unequal power relationship over the next years is to change the conversation at board level, to start with.

Change the conversation at board level

Local fundraisers and grantmakers are increasingly calling to involve a wider range and more diverse range of people on the boards of some of the largest international philanthropic organisations. While the two or three Africans on a foundation's board do not represent the whole of Africa, what their presence does is 'change the conversation at board level'. Key is to have a greater depth of information through more diverse backgrounds regarding both issue areas and geographical area.

Drivers and Inhibitors

The following table presents an analysis and categorisation of drivers and inhibitors within the non-profit and fundraising sector. Current issues and challenges were categorised along six key areas: Political, Economical, Social, Technological, Environmental and Legal (PESTEL Analysis).

Table 16: Drivers and inhibitors within the non-profit and fundraising sector

	Impact on facilitators (NGOs + fundraisers)	Impact on donors
Political		
Increased levels of wealth	New wealth especially in developing countries opens new opportunities for local fundraising Knowledge transfer, new levels of wealth but especially a focus on organic growth from within developing countries resulted in domestic grantmaking institutions (Africa; India) which bring a level of expertise to the table that is unrivalled by external players	Increased levels of wealth in all developing countries resulted in a growing confidence to use, support and foster indigenous ways of giving and local institutions Donors more often address domestic organisations and grantmaking foundations instead of international institutions
Declining public funding	Need to raise awareness for their cause Need to fundraise more and more efficiently	Increased awareness of need for donation and engagement
Increased civic engagement	Larger pool of resources (volunteers and financially)	More knowledge, more awareness of causes Higher demand for transparency and accountability
Increased rivatisation of services	Increased competition between commercial and non-commercial players Increased knowledge transfer (social enterprise models)	Increased demand for quality service delivery Higher demand for transparency and accountability
Economical		
Recession and its aftermath **Low consumer confidence** **Falling level of disposable income**	Sustained giving and especially overseas giving negatively affected thus → need to fundraise more and more efficiently	Cut back on giving Focus on domestic causes instead of overseas

	Impact on facilitators (NGOs + fundraisers)	Impact on donors
Social		
Eroding family structure (Western societies)	In general, rising number of affluent single households and DINK's ('double-income-no-kids') creates positive environment for fundraisers Married and widowed citizens are proven to donate more for overseas causes, thus increase in affluent single households might have negative impact on overseas giving	For many affluent non-married households giving is considered to be part of their life
Aging population (Western societies)	Older people as well as widowed citizens are proven to donate more for overseas causes, thus increase in older population segments might have positive impact on overseas giving 65+ are identified as giving to overseas causes most frequently (while the highest amount is given by 40-64 year olds who are probably on higher incomes)	Increased need for activity, involvement and 'a cause' for a growing number of older citizens
Corruption and mistrust in politics	High levels of corruption and mistrust in government and/ or politics have been the reason for the evolution of completely distinct eco-systems of philanthropy, e.g. the case for Russia is that philanthropy is not a concept as common as in the rest of Europe because non-profit organisations are usually placed in the same category as the government, thus 'not trusted'	Distrust and (very) low institutionalised philanthropy (e.g. Russia)
Increased migration and immigration	Growing number of migrants and growing affluence levels of migrants bear huge potential for fundraising for overseas causes	Growing number of migrants and growing affluence levels of migrants most likely to put strain on domestic tolerance levels Bears potential to cause ambivalent/ negative reaction amongst donors for overseas causes Huge potential for political implications (immigration caps and revision of policies, etc.)
Technological		
Increase in internet penetration and usage	Many new ways of approaching donors, fundraising and marketing the cause as well as nurturing supporters Challenge to manage itself in a crowded marketplace	Increased awareness and knowledge levels thus rising demand for impact assessments and accountability but also information overflow

	Impact on facilitators (NGOs + fundraisers)	Impact on donors
Increase in usage of social networking sites	Many new ways of approaching donors, fundraising and marketing the cause as well as nurturing supporters Challenge to not step over the boundary between social and private (thereby aggravate donors)	Possibility to become engaged much easier – moving from past home town community engagement onto the virtual community's engagement
Increase in usage of mobile phones and new ways of giving (Text-giving)	Many new ways of approaching donors, fundraising and marketing the cause as well as nurturing supporters Mobile phone usage and new services to transfer money using mobile phones are increasingly important for developing countries, especially Africa	Handling of information flow has become much easier compared to the PC, and with new applications giving has become much easier, too Especially in Africa where a whole continent is yet to go online but is connected through mobiles at the same time, the potential for new (mobile) applications (that send and receive money, etc.) are immense
Environmental	The Charity Commission's Chair Dame Leather noted that 'Charities should be at the forefront of environmental sustainability' and that it was important to 'green light' charities' moves towards becoming more environmentally aware	Climate change is a concern for many people and a reason to donate, too
Legal	Legal frameworks can provide security but also hinder growth – In countries where a large part of the funding comes from the public sector, the recent mushrooming of regulations (equality, diversity, accountability) has led to increasing difficulties for fundraisers – the call for more reliance on private money is not just a 'Big society' phenomenon but a trend across Europe In countries where the largest part comes from the private sector, those countries usually have a less well established non-profit sector, therefore initiatives need to be taken to foster even more private giving (tax incentives)	However, in whatever context and economic environment, regulations on how to conduct proper fundraising or how they should spend their funds are increasing transparency and public trust, thus crucial for funding

Source: Own analysis; Framework adapted from NFP's report: 'Look – nfpSynergy have done my PEST analysis' [138]

Some thoughts on the future of philanthropy

Many speculate on the development potential of philanthropic actors and especially private foundations, comparing it with the official development aid provided by governments through bilateral or multilateral development institutions. Based on the previous chapters of mapping the landscape, insights from philanthropic and fundraising experts and their best practice examples, the following recommendations on how to leverage existing funds can be made.

1) Engage in political advocacy

What Bill and Melinda Gates do is often described as 'catalytic philanthropy' in the sense that they use their influence on the world stage and amongst politicians and entrepreneurs to become a catalyst for issues and causes of global concern. Engaging in political advocacy to change government policy is not only for the Bill & Melinda Gates Foundation a way to use their influence effectively; however they are doing it a lot more than most other philanthropists. 'Philanthropists using their voice' works at a local level, too. Many experts who were consulted for this report have highlighted the necessity for philanthropists to advocate for change more prominently. Political campaigning, lobbying and advocacy is crucial for NGOs, too. For NGOs simply delivering a good service is not enough; they need to campaign for political action if they really want to drive massive social change.

2) Collaborate more often

Foundations are not actively collaborating with their peers in many cases. Social change is a multi-sector undertaking – between business and central government, local government and NGOs and everyone in between. Only through a multi-actor approach it is possible to allow the possibility of systemic change. Engaging in advocacy and lobbying as described above also extends to the business world. NGOs and philanthropists with a social change agenda are advised to 'make markets work' (for them). Successful non-profits do not rely on traditional giving but instead work with businesses and collaborate to generate income and support links where possible.

To maximise the impact of funding, it is often necessary and crucial for intermediary organisations to work closely with both donors and grantees. DASRA, the India-based philanthropy intermediary service, has described their role as to give the donor peace of mind regarding the impact of their funding while a close relationship with the grantee (often small NGOs) builds up the grantee's in-house capacities and management skills – a 'win-win' for everyone involved. Not only the White House or Downing Street are collaborating with non-profits but governments across the globe are forming new partnerships of government, private capital, social entrepreneurs and the public (see page 78 for the Philippines).

The biggest obstacles for more collaboration between business, government, NGOs and philanthropists are preconceptions of the other players involved, as well as the bureaucratic hurdles and budgetary (time) constraints of the public sector. When looking at developing countries in particular and collaboration between players within the eco-system of development philanthropy, the frequent power imbalance between donor and grantees needs to be addressed. In particular, to avoid a donor-driven agenda, which – in the worst case – ignores the NGOs unique strengths and also weaknesses, local players need to be consulted (outlined earlier on page 85).

Existing power imbalances between (often) foreign players and local players can be addressed by consulting local advisory boards, setting up completely independent boards in a particular country or having local players sitting on the foundation board. The overarching theme is 'seeking a partnership' and not an investment. Key is to 'change the conversation at board level'.

3) Develop and strengthen your (own) facilitators

Collaboration not only faces limitation through personal (and agenda-linked) motivations and systemic hurdles (bureaucracy) but also the (multi-actor related) problem of speed and scale. Successful social innovations have spread only slowly, if at all. In business, entrepreneurial firms that do well grow fast; but social entrepreneurship does not yet have a Microsoft or a Google. With encouragement from the state, social entrepreneurs' best ideas can be spread faster and wider and numerous examples have proven that is the case – see the Social Innovation Exchange Network (SIX) and many of the Young Foundation's incubator ideas and projects. Grant-making institutions in developing countries, ideally the first point of contact for foreign actors, need to massively scale up their efforts to develop local philanthropy, NGOs and non-profit networks.

4) Move towards inclusive decision-making with your stakeholders

Examining the best practice cases for collaboration as well as those where obstacles could not be overcome and the initiative failed subsequently, one aspect emerges as the key for long lasting impact: Community involvement. Numerous practitioners, recent research as well as best practice examples underline the necessity for collaborating either with local NGOs, the community or community foundations to make sure the whole initiative gets as close as possible to its actual stakeholders and recipients respectively. Furthermore, development experts have highlighted that the whole process of community involvement has to clearly move beyond mere 'consultation' and 'involvement' and towards 'inclusive decision making' instead.

Community input is what all initiatives in the area of 'social change philanthropy' have in common. Community input into the grant-making process is a consistent thread across all social change programmes, and while most of those funds are quite small, their impact is extended through collaborative processes that provide benefits beyond the grant dollars.

When one searches for the most impactful philanthropic development activity, one has to examine the relationship between philanthropy and community development, which could be described as the 'level of action'. Very importantly, the level of action is not dependent from the actual scope of the project, as corporate philanthropy by Novartis has shown. The Novartis project reaches out to 40 million people in rural India through community-based health centres and training classes to change health seeking behaviour (described on page 73). Truly ambitious health initiatives with targets such as 'eradicating polio in the next two to four years' or 'increasing the vaccination rate in every country to at least 90% (up from about 80% currently)' are not possible without action at the global (UN, World Bank and other global institutions) as well as national level (governments), however it will be at local level where people decide to take the vaccine or decide to attend a class on basic household hygiene.

The point of 'inclusive decision-making' requires taking into account the diversity and difference between countries, communities and interest groups. Philanthropy is exercised differently in various parts of the world, and the well-developed philanthropy of the North equipped with and driven by powerful advocates nowadays has probably a lot to learn from the community- and faith based philanthropy of the South, indigenous philanthropy in general and particular cultures of giving, too.

'Community philanthropy is ultimately the answer, encouraging communities to be their own philanthropists.'

Philanthropy Expert, Asia

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Appendix

Table 17: Sources of non-profit sector, global, ca. 1995-2000, excluding volunteers; table sorted by ‘Philanthropy – Per cent’

Country	Philanthropy*		Government		Fees		Total	
(34 countries)	**$billion**	**%**	**$billion**	**%**	**$billion**	**%**	**$billion**	**%**
34-country average	113.4	13% **	539.3	34%	680.3	53%	1333.3	100%
Pakistan	0.13	43%	0.02	6%	0.16	51%	0.3	100%
Uganda	0.04	38%	0.01	7%	0.06	55%	0.1	100%
Romania	0.03	27%	0.06	45%	0.04	29%	0.1	100%
South Africa	0.58	24%	1.05	44%	0.76	32%	2.4	100%
Slovakia	0.07	23%	0.06	22%	0.16	55%	0.3	100%
Tanzania	0.05	20%	0.07	27%	0.14	53%	0.3	100%
Spain	4.85	19%	8.27	32%	12.63	49%	25.8	100%
Hungary	0.26	18%	0.39	27%	0.78	55%	1.4	100%
Poland	0.41	16%	0.63	24%	1.58	60%	2.6	100%
Colombia	0.26	15%	0.26	15%	1.21	70%	1.7	100%
Czech Republic	0.12	14%	0.34	39%	0.4	47%	0.9	100%
Kenya	0.06	14%	0.02	5%	0.33	81%	0.4	100%
U.S.	73.14	13%	172.92	31%	320.9	57%	567	100%
India	0.39	13%	1.09	36%	1.54	51%	3	100%
Peru	0.16	12%	0.23	18%	0.89	70%	1.3	100%
Brazil	1.22	11%	1.77	16%	8.41	74%	11.4	100%
Israel	1.12	10%	7	64%	2.82	26%	10.9	100%
UK	6.88	9%	36.53	47%	34.89	45%	78.2	100%
Sweden	0.96	9%	3.04	29%	6.6	62%	10.6	100%
France	4.3	8%	33.12	58%	19.83	35%	57.3	100%
Argentina	1	8%	2.6	20%	9.74	73%	13.3	100%
Norway	0.39	7%	1.97	35%	3.28	58%	5.6	100%
Ireland	0.35	7%	3.87	77%	0.79	16%	5	100%
Australia	1.25	6%	6.18	31%	12.38	63%	19.8	100%
Austria	0.38	6%	3.16	50%	2.72	44%	6.3	100%
Finland	0.36	6%	2.2	36%	3.51	58%	6.1	100%
Mexico	0.1	6%	0.13	9%	1.32	85%	1.6	100%

Country	Philanthropy*		Government		Fees		Total	
Belgium	1.2	5%	19.64	77%	4.76	19%	25.6	100%
South Korea	0.87	4%	4.8	24%	14.1	71%	19.8	100%
Japan	6.73	3%	117.05	45%	134.92	52%	259	100%
Germany	3.21	3%	60.73	64%	30.51	32%	94.5	100%
Italy	1.1	3%	14.4	37%	23.85	61%	39.4	100%
Philippines	0.04	3%	0.06	5%	1.01	92%	1.1	100%
Netherlands	1.45	2%	35.64	59%	23.31	39%	60.4	100%

Source: Johns Hopkins University (CCSS), Comparative Non-Profit Sector Project (2012)
* Note: This includes domestic and international philanthropy
** Values 13%, 34% and 53% respectively correspond to the pie chart on page 16; however the country breakdown in this table is only available for slightly older data than the aggregate for the pie chart (hence the minimal difference)

Table 18: Sources of non-profit sector, global, ca. 1995-2000, including volunteers; table sorted by 'Philanthropy – Per cent'

Country	Philanthropy*		Government		Fees		Total	
(34 countries)	**$billion**	**%**	**$billion**	**%**	**$billion**	**%**	**$billion**	**%**
Total	429.7	31%	539.5	26%	679.8	42%	1649.6	100%
Romania	0.2	67%	0.1	21%	0.0	13%	0.3	100%
Tanzania	0.3	62%	0.1	13%	0.1	25%	0.6	100%
Sweden	11.2	54%	3.0	15%	6.6	32%	20.8	100%
Pakistan	0.2	53%	0.0	5%	0.2	42%	0.4	100%
Uganda	0.1	52%	0.0	6%	0.1	43%	0.1	100%
Norway	4.6	47%	2.0	20%	3.3	33%	9.9	100%
France	46.2	47%	33.1	33%	19.8	20%	99.2	100%
South Africa	1.5	46%	1.1	32%	0.8	23%	3.3	100%
Philippines	0.8	43%	0.1	3%	1.0	54%	1.9	100%
India	1.7	40%	1.1	25%	1.5	35%	4.4	100%
Spain	11.9	36%	8.3	25%	12.6	39%	32.8	100%
Germany	51.7	36%	60.7	43%	30.4	21%	142.9	100%
Finland	3.0	35%	2.2	25%	3.5	40%	8.7	100%
Czech Rep.	0.3	30%	0.3	32%	0.4	38%	1.1	100%
UK	28.9	29%	36.5	36%	34.9	35%	100.2	100%
United States	181.8	27%	173.0	26%	320.4	47%	676.0	100%
Slovakia	0.1	25%	0.1	21%	0.2	54%	0.3	100%
Colombia	0.5	25%	0.3	13%	1.2	62%	1.9	100%
Netherlands	18.5	24%	35.7	46%	23.3	30%	77.4	100%
Kenya	0.1	24%	0.0	4%	0.3	72%	0.5	100%

Country	Philanthropy*		Government		Fees		Total	
Australia	5.7	24%	6.2	25%	12.4	51%	24.3	100%
Austria	1.8	23%	3.2	41%	2.7	36%	7.6	100%
Argentina	3.7	23%	2.6	16%	9.7	61%	16.0	100%
Hungary	0.3	21%	0.4	26%	0.8	53%	1.5	100%
Poland	0.6	20%	0.6	23%	1.6	57%	2.8	100%
Italy	9.4	20%	14.4	30%	23.9	50%	47.6	100%
Ireland	1.1	19%	3.9	68%	0.8	14%	5.7	100%
Belgium	5.4	18%	19.6	66%	4.8	16%	29.8	100%
Mexico	0.3	18%	0.1	8%	1.3	75%	1.8	100%
Israel	2.0	17%	7.0	59%	2.8	24%	11.8	100%
Brazil	2.0	16%	1.8	15%	8.4	69%	12.1	100%
South Korea	3.3	15%	4.8	22%	14.1	64%	22.2	100%
Peru	0.2	15%	0.2	18%	0.9	68%	1.3	100%
Japan	30.2	11%	117.2	42%	134.9	48%	282.3	100%

Source: Johns Hopkins University (CCSS), Comparative Non-Profit Sector Project (2012)
* Note: This includes domestic and international philanthropy

Table 19: Estimated diaspora savings, 2011

	Diaspora stock (mil.)	Diaspora savings est., 2009 ($ bil.)	Diaspora savings as % of GDP)	Diaspora savings as % of domestic savng
Middle-income countries				
1 Mexico	11.9	46.9	5	26
2 China	8.3	32.0	1	1
3 India	11.4	31.0	2	8
4 Philippines	4.3	21.1	13	84
5 Turkey	4.3	13.8	2	16
6 Russia	11.0	12.3	1	4
7 Vietnam	2.2	10.6	12	42
8 Ukraine	6.5	10.0	9	57
9 Morocco	3.0	9.6	11	42
10 Pakistan	4.7	9.4	6	51
11 Romania	2.8	9.0	6	24
12 Colombia	2.1	6.4	3	13
13 Iran	1.3	6.2	2	..
14 Cuba	1.2	6.1	10	..
15 Egypt	3.7	6.0	3	26

	Diaspora stock (mil.)	Diaspora savings est., 2009 ($ bil.)	Diaspora savings as % of GDP)	Diaspora savings as % of domestic savng
16 Malaysia	1.5	5.9	3	8
17 Brazil	1.4	5.7	0.4	2
18 Jamaica	1.0	5.4	44	1636
19 El Salvador	1.3	5.1	24	..
20 Sri Lanka	1.8	4.5	11	59
Low income countries				
1 Bangladesh	5.4	4.6	5	30
2 Haiti	1.0	3.7	57	..
3 Afghanistan	2.4	2.6	22	..
4 Ghama	0.8	2.0	7	85
5 Ethiopia	0.6	1.9	6	157
6 Kenya	0.5	1.8	6	78
7 Somalia	0.8	1.8	..	..
8 Zimbabwe	1.3	1.6	34	..
9 Korea, Dem Rep.	0.3	1.4	..	..
10 Cambodia	0.4	1.3	13	73
11 Lao PDR	0.4	1.3	22	..
12 Congo, D.R.	0.9	1.1	10	59
13 Nepal	1.0	1.0	8	99
14 Myanmar	0.5	0.8	..	..
15 Uganda	0.8	0.6	4	32
16 Kyrgyz Republic	0.6	0.6	14	..
17 Liberia	0.4	0.6	67	..
18 Mozambique	1.2	0.6	6	265
19 Tajikistan	0.8	0.5	11	..
20 Tanzania	0.3	0.5	2	..

Source: World Bank, Migration and Development Brief 14, February 2011

Table 20: Top 35 countries receiving U.S. grants, by average $ amount per grant, period 2003-2010

Rank	Country	Average $grant million
1	**Mauritius**	4.14
2	**Switzerland**	3.00
3	**Latvia**	2.67
4	**Northern Ireland**	1.24
5	**Bangladesh**	1.09
6	**South Korea**	0.86
7	**Haiti**	0.74
8	**Kenya**	0.62
9	**Lithuania**	0.56
10	**Bhutan**	0.55
11	**Mongolia**	0.49
12	**Vatican City**	0.45
13	**Germany**	0.45
14	**Netherlands**	0.44
15	**Australia**	0.42
16	**Denmark**	0.41
17	**England**	0.39
18	**Italy**	0.36
19	**Mozambique**	0.35
20	**Swaziland**	0.35
21	**Ghana**	0.34
22	**Greenland**	0.33
23	**Ethiopia**	0.32
24	**Tunisia**	0.31
25	**Colombia**	0.30
26	**Panama**	0.30
27	**Qatar**	0.30
28	**Bulgaria**	0.29
29	**Scotland**	0.29
30	**Philippines**	0.29
31	**Finland**	0.28
32	**Taiwan**	0.28
33	**Gabon**	0.28
34	**Senegal**	0.27
35	**Pakistan**	0.27

Source: U.S. Foundation Centre, International Grants Database

Table 21: Offices of U.S. foundations in the poorest developing countries

Foundation	IDA countries with foundations' offices
Ford	Kenya, Indonesia, Vietnam, Nigeria
Mac Arthur	Nigeria, India
Rockefeller	Kenya
Soros	Moldova, Kyrgyz
Kellogg	Dominica
Aga Khan	Tanzania, Uganda, Tajikistan, India, Pakistan, Bangladesh
Asia Foundation	Cambodia, Indonesia, Mongolia, Vietnam, Afghanistan, Nepal, Pakistan, Bangladesh
Eurasia	Armenia, Azerbaijan, Georgia, Kyrgyz, Uzbekistan, Tajikistan
Open Society	Nigeria, Mongolia, Armenia, Azerbaijan, Bosnia, Georgia, Tajikistan, Uzbekistan

Source: World Bank, Global Programs and Partnerships web site, and staff analysis
INTERNATIONAL FINANCE BRIEFING NOTE, New Series—Number 3, February 27, 2007:
Philanthropic Foundations and their Role in International Development Assistance

Table 22: Interview quotes and categorisation, Mark Kramer and Michael Porter (source see notes at bottom of table and footnotes)

In an interview with *The Economist*, **Mark Kramer** highlighted how he sees 'Corporate Social Responsibility (CSR) compared to Creating Shared Value (CSV)'.

We have analysed the interview by categorising Mark Kramer's statements. All insets in column 2 and 3 are quotes by Mark Kramer while the categorisation in column 1 is our own interpretation.[139]

Category	Corporate Social Responsibility, CSR	Creating Shared values, CSV
Core motivation	About not getting caught doing something wrong	Creating value not only for the business (profit) but also for the community
Measure	E.g. worrying about the labour conditions in your supply chain; Reducing the company's environmental footprint; etc.	Rethink the value chain, open up new products and new markets
This type is driven mainly by...	...external pressures (governments, activist organisations, etc.)	...aim to differentiate in a crowded marketplace
Perceived as...	... a constraint or limitation on business, preventing you from doing what you might otherwise like to do, adding to the cost of your business	...not adding cost but finding new ways to promote new markets and new products
Gain	Differentiating your company by doing 'good'	Differentiating your company based on the social value proposition of your immediate surrounding/ community

Category	Corporate Social Responsibility, CSR	Creating Shared values, CSV
Message and ‘reputational’ marketing	Be overall more sustainable and responsible	Identify the social issues that are at the core of the company’s business and improve society The shared values concept is very much of self-interest, in the interest of the company. If you think about purchasing coffee do it in a different way
Problem	Despite great and successful CSR initiatives, they often appear random (in topic, reach and impact) and, literally, as lipstick on a pig (as The Economist famously put it once) Randomness of CSR: ‘why should you be spending the shareholder’s money deciding that you want to support breast cancer versus habitat for humanity?’ (Quote Michael E Porter) ‘CSR is a dead end and we are ready to move on. The real impact is not by the CSR department or the corporate giving, but by looking at the company itself and what they do and how they can improve the social impact of their products and services’ (Quote Michael E Porter)	Productivity increases are probably in many cases minimal (while the Novartis example might be one of the better examples) CSV might just be a new way of giving companies a clean face after the most severe reputational crisis that the corporate world could have possibly imagined (the recession as ‘triggered by corporate greed’)
Competitive edge	CSR became standard for larger corporations and therefore has weak competitive advantage	‘These “shared values” dimensions of a company’s strategy are going to be some of the greatest differentiators that companies are going to be able to mobilise in the coming years’ (Quote by Michael E Porter)[140]

Endnotes

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2 The Economist (May 12 2011): The lessons of philanthropy: Giving for results, see here: http://www.economist.com/node/18679019, (Accessed June 2011)

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4 STEPS paper by Brooks, Sally, Leach, Melissa, Lucas, Henry and Millstone, Eric (2009): Silver Bullets, Grand Challenges and the New Philanthropy, page 12

5 See above, page 3

6 Note on the data categorisation: The revenues of civil society organizations come from a variety of sources. The CCSS team has grouped these into three categories: fees, which includes private payments for services, membership dues (including 'religious giving' to congregations and churches), and investment income; philanthropy, which includes individual giving, foundation giving, and corporate giving; and government or public sector support, which includes grants, contracts, and voucher or third-party payments from all levels of government, including government-financed social security systems that operate as quasi-nongovernmental organizations. See more here: Salamon, Lester (2003): Global Civil Society – An Overview, Center for Civil Society Studies, Source: http://www.wingsweb.org/download/global_civil_society.pdf (Accessed July 2011)/ to allow a coherent data accumulation across countries, the system of national accounts (or SNA) needed adjustment. The team surrounding professor Lester Salamon has developed a framework for evaluation which has been accepted by the United Nations as the universally best standard for country-comparison and is now awaiting implementation in more countries across the world. Out of 32 countries which have implemented (or pledged to implement) these data standards only eleven have published detailed accounts according to these standards (by 2011). Australia, Canada, Belgium and the U.S. have produced updates. This research project is ongoing; all references of CCSS data in this report are based on 34 countries if not stated otherwise

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11 See above, page 35

12 See above, page 13

13 Salamon, Lester (2004 ed.): Global Civil Society, Dimensions of the Non-profit Sector, Volume 2, Kumarian Press, page xix (Foreword). This anecdote has to be put into context as it refers to a time before the September 11 attacks, when aid to Pakistan especially from the U.S. was low compared to today

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15 OECD stands for the Organisation for Economic Cooperation and Development; DAC stands Development Assistance Committee, For more detailed definitions see page 12 of this report

16 The CCSS team surrounding Prof. Lester Salamon has launched a publication on global volunteering in 2011 commissioned by the International Labour Organisation (ILO) which for the first time allows a cross-country comparison of volunteer forces and their contribution based on sound data

17 The DAC vs. Non-DAC donor states and surrounding issues will be examined in this chapter

18 This income makes up between 60 and 80% of the total revenue of the regional church associations which are, at a local and regional domestic level, hugely involved into delivering social care services. To avoid paying the fee a person would have to formally leave the church which is a phenomenon that has started occurring only recently amongst younger Germans

19 For the detailed breakdown, see the Hudson Institute's report 'Index of Global philanthropy and Remittances 2011'; According to Table 1 on page 9, approximately $15 billion for religious giving are comprised of $7.2 billion giving to formal religious organisations while another $6.3 billion were given by individuals to U.S.-based development and relief organisations (i.e. congregations), included in 'giving to 'Private and Voluntary Organisations' in Table 1

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24 See above, page 5

25 Global Humanitarian Assistance Report (2010), see here: http://www.globalhumanitarianassistance.org/report/gha-report-2010, page 49, (Accessed July 2011)

26 Global Humanitarian Assistance Report (2012), see here: http://www.globalhumanitarianassistance.org/reports, page 7, (Accessed September 2012)

27 See GHA report 2010, page 18

28 The relevant body is the Development Initiative based on UN Ocha FTS data, see GHA report, page 31

29 For Tim Odgen's blog post on China and its overseas involvement, see here: http://www.philanthropyaction.com/nc/chinas_role_in_african_infrastructure_development, (Accessed June 2011)

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33 See Severino and Ray, page 10

34 See GHA report, page 47

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52 Sidel, Mark (2008): Diaspora Giving: An Agent of Change in Asia Pacific Communities?, page 8

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57 For Dilip Ratha's blog post on diaspora bonds and savings, see here: http://blogs.worldbank.org/category/tags/diaspora-bond, (Accessed June 2011)

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61 In regards to Switzerland, the World Health Organization as recipient No. 1 is followed by the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Global Alliance for Vaccines and Immunization, Medicines for Malaria Venture and the Global Alliance for Improved Nutrition and these latter four recipients taken together account for nearly 50% of donations (or $1.2 billion)

62 Compare Bill Gates addressing the United Nations in his speech on the Millennium Goals, see here: http://www.gatesfoundation.org/speeches-commentary/Pages/bill-gates-united-nations-2008.aspx, (Accessed June 2011)

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66 See ASAI's website here: www.asa-international.com

67 This is 'Global Development' and 'Global Health' combined; A certain share of the United States program grants should be included, too, therefore the total figure of all 'international' grants is slightly higher

68 The analysis was conducted by manually classifying grantees according to its name. Where a grantee's name did not immediately reveal the actual purpose of the organisation an in-depth analysis of that particular recipient was undertaken

69 A reason for that is the relatively young age of (a sizable) philanthropy in many European countries while, secondly, the diversity of types of foundations across Europe makes it hard to accumulate data, too. Laws on foundations vary across Europe, and the definition of 'foundations' differs between one country and the next. The EFC Research used in this section is focusing on public-benefit foundations (defined as being "asset-based and purpose-driven, without members or shareholders and being separately constituted non-profit bodies") and draws on data accumulated mainly in 2005, claiming to be the most up to date survey as of December 2009

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73 European Foundation Centre (2008): Foundations in the European Union, Facts and Figures, page 11

74 Strong Dutch tradition of humanitarian involvement is also visible in the extraordinarily high share of official development assistance (82% of GNI), see this report, Table 3, page 29

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78 Reason for that might be that one of their three guiding principles, according to Wikipedia, is 'Representing the CEO voice in corporate philanthropy' which is probably not the best start for independent research on CEO motivations. See here the entry on Wikipedia: http://en.wikipedia.org/wiki/Committee_ Encouraging_Corporate_Philanthropy (Accessed July 2011)

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130 A representative of DASRA explained: 'Corporates tend to have committees and take months to make funding decisions as either there has to be committee consensus or sometimes staff voting and consensus. We have never experienced it where a corporate can delegate a funding decision to one person, thus corporates are excluded from the initial funding decision but instead can top up existing funds at a later stage. DASRA therefore offers corporates the opportunity to benefit from their due diligence/ research and shortlisted fund organizations (independent of the giving circle decision making). They benefit from the same management; reporting and hands on assistance that the circle receive but can take decisions independently'

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About the Rockefeller Foundation

The Rockefeller Foundation's mission to promote the wellbeing of people throughout the world has remained unchanged since its founding in 1913. Its vision is that this century will be one in which globalisation's benefits are more widely shared and its challenges are more easily weathered. To realise this vision, the Foundation seeks to achieve two fundamental goals in its work:

1. It seeks to build resilience that enhances individual, community and institutional capacity to survive, adapt, and grow in the face of acute crises and chronic stresses.
2. It seeks to promote growth with equity so that poor and vulnerable people have more access to opportunities that improve their lives.

In order to achieve these goals, the Foundation provides much of its support through time-bound initiatives that have defined objectives and strategies for impact.

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