

## Chapter 5. Policy recommendations and a way forward

*This chapter summarises the findings from the OECD survey and presents an overview of how foundations behave as partners as well as notable successes and challenges in their ways of working to achieve development goals.*

*The chapter offers policy recommendations for foundations, to enhance their impact in support of development as well as for providers of official development assistance and for governments.*

## 5.1. Recommendations for foundations

### 5.1.1. Geographical allocation of resources

Comparing the **geographical distribution** of philanthropic giving with that of official development assistance (ODA) shows many similarities and confirms a high concentration of giving in some middle-income countries and some regions such as Africa.

- **Position funding for greatest impact.** While foundations are sometimes expected to fill gaps, it is challenging to assess the extent to which foundations should complement ODA, i.e. work in certain regions or types of countries that are less targeted by the donor community. Foundations with large budgets might, however, be better positioned to deploy their funding across middle-income countries, as well as some least developed countries. Smaller ones might only be able to achieve impact when focusing on a limited number of countries.
- **Improve knowledge sharing with both governments and donors to contribute to better co-ordination of efforts.** There is limited evidence of knowledge sharing between foundations and ODA providers which may lead to unintended overlap between philanthropic and ODA-supported initiatives. Thus, foundations working in middle-income countries could seek closer co-ordination with both governments and the donor community (see Section 5.2.1 and Section 5.3.2). This would ensure that efforts are mutually reinforcing, mindful of national development strategies and complementary rather than duplicative.

### 5.1.2. Sectoral allocation of resources

**Health** is the first sector targeted by foundations in terms of funding allocated over the period of the OECD survey. In this area, foundations tend to work with large international non-governmental organisations (NGOs) and international organisations as their implementers on the ground. From this perspective, their priorities and partners of choice are quite similar to those of ODA providers.

- **Explore pooled funding and greater co-ordination.** It is hard to assess whether philanthropic funding in support of health would have more impact if deployed through alternative channels (i.e. small NGOs and local social enterprises). Since health requires substantive investments in infrastructure and capacity building, pooled funding and co-ordinated approaches are needed to fund transformative health programmes.
- **Compare impact of philanthropy with other investments.** Yet this approach raises the question of whether philanthropy is really maximising its comparative advantage as a “gap filler” and innovator outside of mainstream programmes. The performance and impact evaluations of programmes funded by philanthropy should be compared to those supported by ODA donors. Would philanthropic investments in other sectors have generated greater value for money than niche investments handled by local implementing organisations?

**Education** is another prominent focus of philanthropic giving, with more than 100 surveyed foundations having activities in this area.

- **Engage in national, multi-stakeholder coalitions.** Philanthropic investments in education are relatively small compared to government expenditures or even compared to ODA funding. Therefore, it would make more sense (from a value

for money perspective) for foundations to engage in multi-stakeholder coalitions at the national level in developing countries<sup>1</sup>. In this way, they could aim to operate at scale for maximum impact.

- **Prioritise marginalised populations, where possible.** Foundations able to engage in situations of fragility and interested in testing new approaches might take another approach in these countries. They could prioritise education for the most marginalised populations, which tends to fall through the cracks of public funding.

### 5.1.3. Innovation

Foundations have both the resources and ambition to **design and implement innovative approaches** across a range of development issues. However, the results of the OECD survey show that their risk-tolerance seems limited. They invest mainly in middle-income countries, working with international NGOs as their implementing partners on short-term projects. This is unfortunate given that experimenting with new approaches and the ability to innovate remain some of philanthropy's most prominent comparative advantages. However, the culture of "failure" still seems more rhetorical than widely accepted by philanthropic leaders, their boards and their implementing partners. Nevertheless, there are different ways in which foundations can step up their ability to take risks and innovate in support of global development:

- **Provide seed capital.** For larger organisations with substantive financial means, providing seed capital to de-risk social impact investments could be an important step. Their contribution to "blended finance" could be an example of such an approach.
- **Build local capacities.** For organisations with more modest means, "strengthening the front line", i.e. supporting local NGOs and entrepreneurs at the local level, would help build local capacities. This, in turn, would diversify the range of implementing partners even if at a cost (more due diligence needed) and the risk that some organisations will not necessarily deliver. However, outsiders cannot dictate such approaches and funding decisions. Further, evaluation criteria will be different from those used to measure public sector development effectiveness.
- **Replace the "culture of failure" with a culture of learning.** More foundations could be encouraged to invest in trying new approaches, documenting results (as well as possible failures) and investing further on that basis. Long due-diligence processes are also not always needed when testing partnerships and investing very small amounts to test an idea. Testing new approaches could also be done together with other funders to limit each organisation's own risks.
- **Evaluate both failure and success.** Innovative approaches, even if they fail, must be more systematically evaluated to determine their potential for impact. More importantly, they must be assessed for how they could be replicated at scale.
- **Share lessons and develop new tools.** Learning within foundations themselves must have the potential to inform other foundations or partners operating in the same sector. Thus, sharing lessons learned about the effectiveness of innovative approaches, but also developing assessment tools and approaches (e.g. due diligence and impact audits) within trusted groups of peers could help foundations better manage risks in selecting partners or investing in risky projects.

#### 5.1.4. *Partnering with other foundations*

There is scope for further and more sustained collaboration between foundations themselves that go beyond sharing of information and good practice. This could include **developing common strategies, sharing decision making and pooling resources.**

- **Create safe spaces to share information.** Networks of foundations hold the potential to support the process of building and further nurturing collaboration between foundations at various levels. The OECD survey shows that foundations are still somewhat reluctant to share certain types of information. In particular, they closely guard information related to their overall strategy, performance and performance evaluations (of their programming and of their grantees). Networks provide a “safe space” and circle of trust where information can be shared more regularly with trusted peers.
- **Promote a collective voice through co-ordinated action:** In addition, networks or associations of foundations, especially at the country level, provide a certain level of formalisation and institutionalisation. This is needed for foundations to engage meaningfully and over time with governments. When foundations co-ordinate and speak with a single voice (e.g. on fiscal incentives), their messages become more powerful and have more chances to be heard. In countries where associations of foundations exist, they also serve as entry points for governments willing to reach out to foundations (e.g. Cemefi in Mexico or AFE - Asociación de Fundaciones Empresariales - in Colombia).
- Despite existing organisations, there is potential to establish and further support networks and associations of foundations in **low- and middle-income countries**, as well as at a **regional level.**
- Thematic networks should also be encouraged and further supported as they can be even more conducive than regional networks to help build partnerships or broker joint funding (e.g. ClimateWorks Foundation, the Freedom Funds, or Ariadne).

#### 5.1.5. *Partnering with other development actors*

Foundations aiming at achieving system change and greater impact should be ready to **work more closely with other development actors.**

- **Identify how foundations’ activities align with global and national policy goals in the sectors where they intervene.** This requires a solid investment in understanding the political economy of the countries where they work, as well as of the local ecosystem of development co-operation. For foundations with limited field presence, this implies working with solid partners who are mindful of these dimensions and focused on leveraging existing efforts and building local capacities. (See Sections 5.2; and 5.3). This also sometimes implies subordinating some individual foundation goals for collective ones.
- **Pool contacts to reduce costs.** As the OECD survey shows, too few foundations fund frontline NGOs in developing countries. Larger international NGOs seem to capture most funding. Yet, to allow the philanthropic ecosystem to thrive, foundations need to support local organisations (civil society organisations [CSOs], social enterprises, etc.). Being near the same location as grantees can result in greater interaction and flexibility, a better identification of issues and needs on the ground, and more appropriate tools to select and assess the work of grantees. Doing so comes at a cost, however. Due diligence of local partners is

costly and time consuming. In response, foundations could allow other philanthropists to get to know their trusted grantees that have been thoroughly screened. Pooling contacts of solid impact-oriented organisations could help smaller foundations select from high-performing grantees without bearing the cost of lengthy due diligence. Associations of foundations could help share these contacts and broker partnerships between foundations and NGOs.

### 5.1.6. Data

Increasing the availability of information on philanthropic giving comes at a cost for foundations. However, these costs should be offset by the **benefits from greater transparency** in the sector. The ability to connect with peers working in similar countries or sectors and to broker larger partnerships should emerge as an advantage and a positive result of the push towards greater transparency.

Transparency and the availability of comparable and reliable data are central to more effective co-ordination, partnerships and other forms of collaboration. International databases enable funders to better allocate their funds (through identifying financing gaps and avoiding duplications). Further, they also enable current and prospective grantees to target their fundraising more efficiently. Achieving this, however, requires a certain level of data standardisation at the international level. This, in turn, implies **comparability** with other international standards such as ODA; and reliability through comprehensive data quality checks (including to avoid double counting).

- **Make better use of platforms at the global, regional and local levels.** This could improve transparency and availability of data on philanthropic giving in support of development. This, in turn, would allow foundations to pursue and enhance efforts to systematise data sharing. In this way, data collected would be comparable to other development flows. There are multiple country-level and international reporting templates available, such as the 360giving, Glasspockets, the International Aid Transparency Initiative (IATI) and the OECD-DAC statistics on development finance administered by DCD through the Creditor Reporting System (CRS). The **OECD-DAC statistics ensure data comparability** (e.g. philanthropic flows and ODA) and **reliability**, while making data available free through centralised online databases. Almost 100 governments and organisations publish their data through the OECD CRS, including 4 philanthropic foundations (the Bill & Melinda Gates Foundation, Dutch Postcode Lottery, Swedish Postcode Lottery and People's Postcode Lottery – grouped under United Postcode Lotteries). The OECD also invites other private financiers active in development to follow their example in data transparency and standardisation.
- **Make data a global public good.** In addition, networks like netFWD together with the Foundation Center, WINGS and others should encourage the philanthropic sector to share information and help make data a global public good.

## 5.2. Recommendations for the donor community

### 5.2.1. Dialogue

The development policy space remains open and attractive to only a small group of well-endowed foundations. Foundations with significant field presence and the ability to network and dialogue with donors in capitals or large regional hubs create a dichotomy in the market. As a result, a handful of (mainly North American) foundations are perceived as having excessive influence over policy discussions and seem to be dominating large coalitions.

- **Broaden dialogue between foundations and ODA donors to create wider and more diverse participation.** Increased dialogue at the global level would allow foundations with no field presence to take part in discussions and engage in partnerships. Further strengthening dialogue forums in-country would allow smaller local foundations, as well as decentralised offices to take part in these conversations.
- **Co-ordinate action by sector.** Given that foundations tend to invest thematically, co-ordination could be most effective and relevant at the sectoral level (e.g. through global-level mechanisms such as the Global Partnership for Education).
- **Develop flexible dialogue and partnership mechanisms.** This would allow more synergies and possible co-ordination between ODA donors and foundations, given that foundations are unlikely to join donor co-ordination groups in the field. Indeed, the latter are seen by philanthropic actors as time-consuming and mainly aimed for donors and recipients.

### 5.2.2. Partnerships

As reflected in the OECD survey, the donor community seldom engages with philanthropy. This is partly because ODA donors often lack knowledge on how philanthropy operates, as well as entry points to reach out to relevant foundations. As a result, it is often difficult to engage more regularly in sustainable partnerships with foundations. More systematic approaches to engagement on both sides could help build trust and sustain linkages. However, these would require further investing in **staffing, and developing a flexible approach to partnering:**

- **Develop overall strategies for engagement with foundations acknowledging their financial and non-financial contributions to development** (disconnected from the objective to fundraise). This strategy should be developed in close co-operation with foundations and networks or associations of foundations based in donor countries, whose members operate in developing countries. Donors should embrace a long-term approach to develop dialogue and mutual trust in complementary areas. A critical success factor to this approach will be a change in mindset: seeing foundations as partners with a distinct contribution to make, rather than only as funders.
- **Identify foundations beyond the “usual suspects”.** A longer term approach must go hand in hand with identifying foundations outside of the “usual suspects”. Indeed, many ODA donors favour engagement with a handful of visible and well-off foundations to the detriment of other ones with both the capacity and the desire to engage with them at the field level.
- **Appoint dedicated focal points within donors.** These focal points could develop and maintain relations and work with policy, programme, financial and legal

teams within foundations, as well as across donor institutions. Several donors are well engaged on that front (France, Germany, United Kingdom, Netherlands, World Bank and UNICEF, to name a few).

- **Develop staff exchange programmes between foundations and donor institutions to help build trust and mutual understanding.** Indeed, a few donors, such as the BMZ in Germany, have put in place such programmes that are quite promising.
- **Consider flexible partnerships.** Pooled funding could address the constraints of smaller foundations, which often cannot afford the price of admission to a traditional partnership. In addition, funding pilot projects in selected countries around issues of common interest, where foundations and donors can co-design projects from the outset, might be a good entry point before engaging further with a larger number of foundations.

### 5.3. Recommendations for governments in developing countries

#### 5.3.1. *Enabling environment*

Governments in developing countries have started to take a keen interest in foundations. Some are already engaging in solid partnerships with philanthropic actors (Brazil, South Africa, India, Indonesia, People's Republic of China). Nevertheless, for collaboration to be sustainable, a more conducive enabling environment is needed.

- **Further explore how governments can adopt or adapt regulation for philanthropy.** Tactics include creating a legal status that distinguishes foundations from CSOs to possible tax incentives. It also means ensuring that foundations' partners can receive funding, are protected by law and are free to perform the activities in their mandate.
- **Examine unintended consequences.** Recent examples of government crackdowns on civil society and international funding flows have shown the fragility of the environment in which philanthropy operates in some countries. In many cases, anti-terrorist laws and anti-money laundering regulations have had disastrous effects on the ability for foundations to support partner NGOs on the ground.
- **Consider strengthening transparency and accountability requirements for foundations' grantees, in addition to creating positive conditions for philanthropy to thrive.** This would benefit the sector as a whole and would limit applying restrictive measures across the board regardless of organisations' track record. Naturally, in countries where civil liberties are not guaranteed and where CSOs are at risk, philanthropists will primarily investigate ways to support partner organisations without putting them in jeopardy. Collaboration with these governments is thus expected to be limited.

#### 5.3.2. *Dialogue and partnerships*

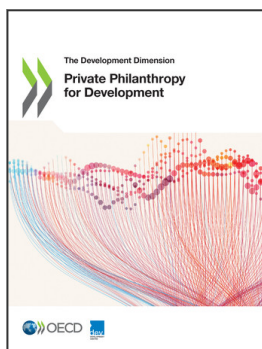
There is scope for closer co-ordination between foundations, governments in developing countries and the donor community. This is especially true in middle-income countries, where most philanthropic flows are concentrated. However, it is unrealistic to assume that foundations could be influenced to operate like traditional bilateral donors and would join co-ordination or harmonisation groups in the field together with government counterparts.

- **Create dedicated philanthropic dialogue platforms** (e.g. the Kenya Philanthropy Platform) between the government and foundations as an alternative to engaging foundations through donors' co-ordination groups. Institutionalised platforms could provide a more stable and sustainable base for ongoing co-operation. This, in turn, would allow engagement to continue beyond the short lifecycle of personal relationships between the government and foundation staff.
- **Identify relevant entry points for partnership between foundations and governments.** While large-scope Memoranda of Understanding can be developed between foundations and governments, partnerships are likely to unfold when organisations identify where their priorities intersect. Finding this strategic intersection is an indispensable first step to any solid partnership.
- **Commit resources and time on both sides.** Education, for instance, is a prominent focus of philanthropic giving, especially favoured by South-South and domestic giving. Therefore, governments in developing countries could prioritise dialogue with foundations operating on their soil that work in the education sector. This would help optimise pooled funding and partnerships on post-secondary education (higher and university) and vocational training, which are sub-sectors mostly supported by foundations.

## Notes

1. The terms “developing countries” and “developing economies” refer to all countries and territories on the DAC List of Official Development Assistance (ODA) Recipients and consists of all low and middle income countries based on gross national income per capita as published by the World Bank, with the exception of G8 members, European Union members, and countries with a firm date for entry into the EU. The list also includes all of the least developed countries as defined by the United Nations (UN).





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