

INTER-AGENCY TASK FORCE  
ON FINANCING FOR DEVELOPMENT

Issue Brief Series

**Philanthropy**

**Organisation for Economic Co-operation and Development  
(OECD)**

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## Philanthropy Organisation for Economic Co-operation and Development (OECD)

### 1. Introduction

Private resources are increasingly at the centre of attention in the ambitious development framework agreed upon by the international community. Private philanthropy particularly is seen as both as an important source of financing for development worldwide and a pivotal actor in achieving the 2030 Agenda. The Addis Agenda marks an important step towards recognising private philanthropy's role in supporting global development.

The Addis Agenda expects much of the philanthropic community. It notes the rapid growth of philanthropic giving and welcomes the significant financial and non-financial contribution philanthropists have made towards achieving shared development goals. It calls for increased transparency and accountability in philanthropy. It advocates for closer co-operation among philanthropic actors, governments and other stakeholders. It encourages foundations to consider local circumstances and align with national policies and priorities. And it challenges philanthropic donors to manage their endowments through impact investment, which considers both for-profit and non-financial investment criteria.

The monitoring of these commitments and action items is not included in the indicators for the Sustainable Development Goals (SDGs)<sup>1</sup>. A global, comparable and comprehensive source of data on philanthropic giving is lacking today for a number of reasons:

- Foundations may be reluctant to disclose the amount and types of giving they engage in. This is linked to the sensitive and personal nature of wealth and giving, and cultural traditions that may restrict and inhibit the sharing of information on philanthropic activity.
- Contrary to public perception, most foundations (whether they engage in development or not) are small and have limited capacities for financial reporting.
- Identifying private foundations is a challenge. Definitions, legal status and regulations underpinning philanthropic giving vary dramatically from country to country. This hampers the ability to compare or aggregate data to map the philanthropic sector accurately.
- In most countries, foundations are not registered at the central level and often have limited obligations for financial disclosure. Therefore, in most countries, neither governments nor private organisations collect and/or make available important data on philanthropic giving. This is the case in many European countries. In the United States, foundations have to meet public disclosure requirements and are obliged to file annual tax returns, which in some

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<sup>1</sup> The United Nations Statistical Commission proposed indicators for measuring the targets specified under each SDG, including those pertaining to the Means of Implementation (MoI). These indicators, particularly those for the MoI targets are important inputs for monitoring of some of the Addis Ababa commitments.

cases are available publicly. They contain basic information on finances, investments and grants.<sup>2</sup>

Given the above challenges, multiple sources of data, including quantitative data and qualitative information (i.e. narratives and case studies) would need to be used to adequately measure progress on Addis Ababa commitments on philanthropy.

## 2. Stocktaking

### 2.1. Philanthropic data

Despite the challenges described above, several organisations collect data on the scale of engagement of private foundations in development co-operation. These organisations include the [OECD-DAC](#), the U.S.-based [Foundation Center](#), the [European Foundation Centre](#) and the U.S.-based [Hudson Institute](#), amongst others.

OECD statistics show that total net private grants from developed<sup>3</sup> to developing countries<sup>4</sup> since the 2000s have followed a strong and regular upward trend to reach more than 30 billion dollars per year after 2010 (see figure below). The increasing trend is visible in all countries, but explained mainly by the volume of private giving in the United States. The OECD includes grants extended for development purposes by a wide range of private institutions, such as national and international non-governmental organisations as well as private philanthropic foundations. With the exception of the Bill and Melinda Gates Foundation (see below), detailed information on the providers and beneficiaries of these grants and the main sectors targeted by their activities is not available in the OECD statistical system.

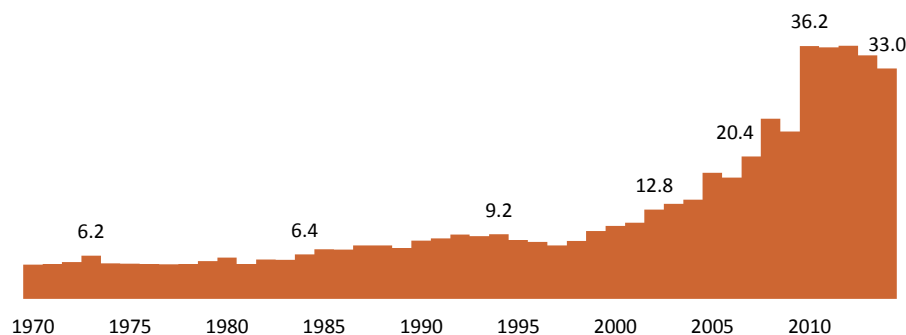
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<sup>2</sup> The 990-PF is the information return U.S. private foundations file with the Internal Revenue Service. This public document provides fiscal data for the foundation, names of trustees and officers, application information, and a complete grants list. Source: <http://foundationcenter.org/find-funding/demystifying-the-990-pf>

<sup>3</sup> The DAC publishes a [list of countries and organisations](#) that report aid and development related financial flows to it. The list encompasses DAC members, countries that are not members, and multilateral organisations plus the Bill and Melinda Gates Foundation.

<sup>4</sup> The [DAC List of ODA Recipients](#) shows all countries and territories eligible to receive official development assistance (ODA). These consist of all low and middle income countries based on gross national income (GNI) per capita as published by the [World Bank](#), with the exception of G8 members, EU members, and countries with a firm date for entry into the EU. The list also includes all of the Least Developed Countries (LDCs) as defined by the [United Nations](#) (UN).

Figure: Net private grants to developing countries, disbursements (2014 USD billion)



Sources: OECD DAC statistics

The **U.S. Foundation Center's** data covers mostly U.S. foundations (due to the financial reporting obligations for foundations in the United States), while efforts are being made to collect data from other countries on a voluntary basis, mainly through the recently established [SDG Philanthropy Platform](#)<sup>5</sup>. To date, this data is not comparable with ODA figures collected by the OECD DAC given different taxonomies.

The **European Foundation Centre** has conducted surveys in some European countries. Data on international spending of private foundations, however, is available only for a small number of countries<sup>6</sup>.

The **Hudson institute** has attempted to determine the scale of development co-operation of private foundations outside the United States based on available national documents, annual reports of foundations and interviews<sup>7</sup>. However, for most of these countries, only aggregated figures of philanthropic giving are available. Such figures include not only philanthropic giving, but also donations made by individuals outside of philanthropic structures or by other non-governmental organisations.

## 2.2. Transparency and accountability

**No global reporting standards exist** presently for foundations to use to monitor progress on the Addis Agenda commitments on transparency and accountability. Some governments encourage their national foundations to participate in international reporting initiatives, such as the [International Aid Transparency Initiative \(IATI\)](#). However, the IATI model is currently very

<sup>5</sup> SDG Philanthropy Platform is a collaboration between philanthropy and the greater international development community led by Foundation Center, United Nations Development Programme (UNDP) and Rockefeller Philanthropy Advisors.

<sup>6</sup> See here: <http://www.efc.be/philanthropy-sector/foundations-in-europe/>

<sup>7</sup> Hudson Institute (2010): The index of global philanthropy and remittances 2010, Washington, DC; Hudson Institute (2011): The index of global philanthropy and remittances 2011, Washington, DC; Hudson Institute (2013): The index of global philanthropy and remittances 2011, With a Special Report in Emerging Economies, Washington, DC.

difficult to adopt for small foundations. Only 19 foundations are listed on the IATI website as of 2016.<sup>8</sup>

Philanthropic organisations have developed standards on data and accountability (e.g. [Global Philanthropy Data Charter](#) developed by the [Worldwide Initiatives for Grantmaking Support, WINGS](#)) that encourage and help guide foundations' efforts on transparency. Yet, none of these standards are binding nor widely adopted by the philanthropic sector.

Overall, **the degree of transparency and reporting practices are very heterogeneous among philanthropies**. Some of the biggest foundations, such as the Hewlett, Packard, Ford, Robert Wood Johnson or Bill and Melinda Gates foundations, provide data updated in real time and online information about their activities (grant-making information, performance measurements, financial information). The [Glasspockets](#)<sup>9</sup> initiative tracks online the transparency practices of a number of foundations and could be used to monitor transparency trends in the philanthropic sector. For example, data available through Glasspockets on the top 80 U.S. foundations reveals that 26 of these foundations have online grants databases. However, the analysis remains limited almost exclusively to U.S. foundations.

In addition to advocating for more transparency in financial data sharing, holding foundations accountable for their monitoring and performance evaluation remains critical. According to a [recent study](#) by the Center for Effective Philanthropy, many foundations are making their grant-making processes, goals and strategies available publicly. However, foundations are much less transparent and accountable about assessing their own performance and sharing lessons from successes and failures.<sup>10</sup>

### 2.3. Alignment, ownership and co-operation

Attempts at systematically strengthening co-operation among official development providers and foundations are fairly recent. To date, no global accountability framework or mechanism exists that can be used systematically to track the Addis Agenda commitments on alignment, ownership and co-operation among philanthropy, governments and other development actors. The very issue of accountability is challenging given that foundations consider themselves as being primarily accountable to their Boards. Accountability to beneficiaries is also present but can take different forms. Accountability to southern governments where foundations operate

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<sup>8</sup> Aqua for All, Bill and Melinda Gates Foundation, Charity projects Ltd (Comic Relief), Stichting fondsbeheer DGGF lokaal MKB, Fondo Centroamericano de Mujeres, Free a Girl, Stichting Health Action International, HE Foundation, The William and Flora Hewlett Foundation, Indigo Trust, Mama Cash, The OPEC Fund for International Development (OFID), Pontis Foundation, Simavi, Stars Foundation, Transnational Institute, WASTE advisers on urban environment and development, World Vision Netherlands, Zing. See here: <https://www.iatiregistry.org/publisher>

<sup>9</sup> Glasspockets is a Foundation Center initiative that champions philanthropic transparency in an online world. Launched in 2010, the website provides the data, resources, examples, and action steps foundations need to understand the value of transparency, be more open in their own communications, and help shed more light on how private organizations are serving the public good.

<sup>10</sup> The Center for Effective Philanthropy (2016), Sharing What Matters: Foundation Transparency. Available at: <http://research.effectivephilanthropy.org/sharing-what-matters-foundation-transparency>

or to taxpayers in their host country when they are eligible for tax breaks remains an exception. Foundations, however, are involved in initiatives at global, regional and national levels that can help inform the Addis Agenda monitoring exercise and that could be mainstreamed into the global accountability architecture.

Such commitments to alignment, ownership and co-operation echo the effective development co-operation principles<sup>11</sup> endorsed by the members of the [Global Partnership for Effective Development Co-operation](#) (Global Partnership) in Busan, South Korea in 2012. Unlike traditional donors, foundations have not adhered officially to those principles, and their performance is not tracked explicitly by the current [Monitoring Framework](#) of the Global Partnership<sup>12</sup>. Nevertheless, some foundations are engaged in the Global Partnership in a variety of ways.

First, foundations have been granted permanent and continuous representation on the Global Partnership's Steering Committee<sup>13</sup> since 2014 and thus contribute, together with other development actors, to the policy dialogue on effective development co-operation. This participation is limited to a small number of philanthropic actors.

Second, as a response to the Global Partnership principles, philanthropic actors have developed [Guidelines on Effective Philanthropic Engagement](#).<sup>14</sup> The Guidelines are voluntary and non-binding, but represent an important effort from the philanthropic community to clarify specifically their co-operation and collaboration aspirations. Under the three pillars of dialogue, data/knowledge sharing and partnerships, these guidelines also are a practical tool to help foundations improve development outcomes through more effective collaboration with governments.

Since 2014, the OECD's Network of Foundations Working for Development (netFWD) at the OECD's Development Centre has been using the Guidelines for Effective Philanthropic Engagement to broker greater dialogue and co-operation between foundations and governments at country levels. To date, the Guidelines' pilots have been launched in India, Mexico, Myanmar, Kenya and South Africa (forthcoming). Each country pilot focuses on a specific theme, such as child and maternal health in India, technical and vocational training in Kenya or entrepreneurship in Mexico. These pilots collect country-level data on the relationship between foundations and governments and help local stakeholders identify concrete steps – in the form of action plans – for more effective future collaboration. The results and data

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<sup>11</sup> Ownership of development priorities by developing countries; Focus on results; Inclusive development partnerships; Transparency and accountability.

<sup>12</sup> The monitoring framework consists of [a set of ten indicators](#) which focus on strengthening developing countries' institutions, increasing the transparency and predictability of development co-operation, enhancing gender equality, as well as supporting greater involvement of civil society, parliaments and the private sector in development efforts.

<sup>13</sup> Stars Foundation and the Calouste Gulbenkian Foundation consecutively have been representing foundations at the GPEDC since 2014. The OECD Network of Foundations Working for Development (netFWD), housed at the OECD's Development Centre, has been providing ongoing secretariat support to the foundations' representative on the GPEDC's Steering Committee.

<sup>14</sup> The Guidelines have been developed under the leadership of the OECD's Network of Foundations Working for Development (netFWD), with support from Worldwide Initiatives for Grantmaker Support (WINGS), the European Foundation Centre (EFC), United Nations Development Programme (UNDP), Rockefeller Foundation and Stars Foundation.

generated by the first round of these country pilots could feed into the Addis Agenda monitoring exercises.

The United Nations [Development Co-operation Forum](#) (DCF) is another global policy forum that brings some philanthropic foundations together with other development co-operation actors. However their de facto participation and engagement in the DCF remains fairly limited. Philanthropic foundations are included in the scope of the Secretary General's report on trends and progress in international development co-operation for the biennial high-level meeting of the DCF and the 2015-2016 Fourth DCF Global Accountability Survey.<sup>15</sup> The results of the survey (to be available in autumn 2016) could feed into the Addis Agenda monitoring exercises (starting in 2017 report).

### 2.3. Impact investing

Impact investing - the pursuit of positive financial returns as well as positive social/environmental returns - appears to be gaining traction with foundations around the world. Alongside public and private capital, philanthropic funds play a major role in in entrenching, maturing and scaling the impact investment movement.<sup>16</sup> A study by the United Nations Development Programme, for example, shows how additional capital flows from the private sector and philanthropic actors are offering impact investors new opportunities to increase access to basic services for healthcare, education, clean water and energy in Africa.<sup>17</sup> These innovative approaches will not replace the core role of the public sector, especially in developing countries, but they can provide models for leveraging existing capital using market-based approaches for greater social impact.<sup>18</sup>

Data is limited regarding the volume of philanthropic capital invested in impact investing<sup>19</sup>. The Financial Times "Investing for Global Impact"<sup>20</sup> 2016 survey among family offices and family foundations revealed that of the 182 respondents, 26% invest in grant-making only and 36% in both impact investing and grant-making. This report is now in its third year, so comparative data across this period is now possible. It has identified the gradual but steady increase in family office respondents active in impact investing (60% in 2016 compared with 53% in 2013) and the slow shift to consider financial returns alongside social returns.

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<sup>15</sup> The survey has been sent to governments who were encouraged to engage foundations and other development stakeholders in the exercise.

<sup>16</sup> OECD (2015): Social Impact Investment. Building the evidence base, OECD Publishing, Paris

<sup>17</sup> UNDP (2014): Impact Investing in Africa. Trends, Constraints and Opportunities.

<http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/Impact%20Investment%20Final%20Report.pdf>

<sup>18</sup> Wilson, Karen E. (2014): New Investment Approaches for Addressing Social and Economic Challenges, OECD Science, Technology and Industry Policy Papers No. 15, Paris

<sup>19</sup> Impact Investing is defined as the pursuit of positive financial returns as well as positive social/environmental returns.

<sup>20</sup> Financial Times (2016) investing for Global Impact, available at: <http://familyoffice.ftbusiness.com/impact/>.

### 3. Policy options and recommendations

#### 3.1. Philanthropic data

Given the lack of data on private giving towards developing countries, it is crucial to support **initiatives aimed at collecting global, comparable and comprehensive data.**

To this end, the OECD is updating its [2003 report on Private Foundations and Development Co-operation](#) with the aim of reflecting on the role of private philanthropy in the 2030 Agenda development framework. This exercise will provide a broad overview of the state of play of public and private, domestic and international financing for development.. It also is intended to inform governments' development co-operation policies at the international level.

The report is expected to be released in 2017., The OECD is carrying out a survey targeting more than 100 private philanthropic foundations worldwide known to be active in developing countries. Ultimately, the objective is to engage with a broader range of major foundations working for development and collect data on a regular basis. The report will also allow an in-depth analysis of philanthropic trends and will offer policy recommendations.

#### 3.2. Alignment, ownership and co-operation

To build global co-operation among development stakeholders and foundations, philanthropy's strategic involvement in different global policy dialogues is fundamental.

At regional and national levels, joint initiatives (platforms for co-operation, multi-stakeholder partnerships) should be further developed and monitored as case studies. The launch of the second round of country pilots of the Guidelines for Effective Philanthropic Engagement could help consolidate further country-level data on the relationships between foundations and governments. Other initiatives, such as the OECD netFWD, [Accelerating Impact 2030](#), encourage country-level multi-stakeholder partnerships and can provide additional evidence on impact.

#### 3.3. Impact investing

The OECD has played a role in the global social impact investment (SII) initiative launched in 2013 during the U.K. Presidency of the G8 with a Phase I report<sup>21</sup> published in 2015. Phase II<sup>22</sup> of the OECD social impact investment work has expanded to include both developing and developed countries under the framework of the SDGs. Several work streams exist, including one focused on developing a global standards reporting framework for social impact investment data (transaction and performance data, both financial and social).

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<sup>21</sup> <http://www.oecd.org/sti/ind/social-impact-investment.htm>

<sup>22</sup> <http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/social-impact-investment-initiative.htm>