

# The Philanthropic Sector's Contribution to Social Cohesion:

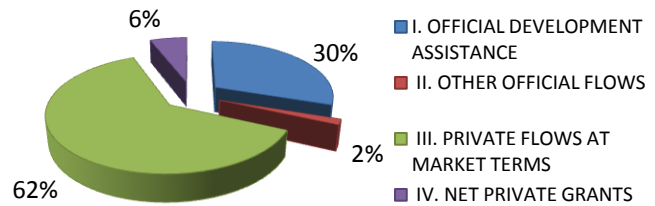
## *New Actors, New Approaches... What Results?*



The international development landscape is changing, as new actors have recently been challenging governments' traditional preponderance. Among them, foundations are considered to have the "potential not only to provide alternative sources of resources for developing countries, but also to introduce innovative models for providing assistance and to create opportunities for new forms of partnerships with more traditional development actors".<sup>1</sup> This gives them a privileged position and a space in the development debate at a time when innovative thinking and ways to tackle the emerging and persistent challenges are needed.

### **An increasing, yet limited, engagement**

Foundations' participation and giving in international development in the last decade have grown significantly. From about USD 3 billion in the early 2000's, their total spending for development went up to an estimated USD 7 to 9.5 billion in 2009.<sup>2</sup> However, these figures seem rather modest in comparison to Official Development Assistance (ODA) (see Graph 1), with the notable exception of the Bill and Melinda Gates Foundation, which constituted the largest donor in the health sector in 2011, outnumbering the US and the Global Fund to Fight AIDS, Tuberculosis and Malaria in terms of amounts disbursed (OECD-DAC statistics 2011).



Graph 1: 2011 development flows (OECD-DAC)

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### **New trends bringing in new tools**

The last decade has seen a new trend emerge, with foundations increasingly applying principles and methods from the corporate sector to their own practices. Usually referred to as "venture philanthropy", these ways of operating originate in the belief that a large amount of philanthropic capital which could be made available for development purposes is underutilised and that a more efficient use of resources would yield more social impact. While grant making remains the most widespread model of philanthropic giving, a growing number of foundations are nevertheless questioning or even reviewing their own models to move towards a more results-based approach, focused on achieving enhanced and more measurable social impact. Venture philanthropy's main features include the use of specific financing tools (e.g. social bonds, equity, debt, loans, etc.), non-financial support (e.g. access to networks, coaching and mentoring, etc.), multi-year support and built-in performance measurement.<sup>3</sup> Equipped with new tools and the aim of addressing development challenges, some foundations have been able to gear their efforts towards enhancing social cohesion in areas such as support to youth empowerment, which complement and can even optimise government-led approaches.

### **Why are new approaches to enhance social cohesion possibly conducive to change?**

Two characteristics enable foundations to "look to the long-term horizons that social change requires, take risks that would likely make other agencies shy away, and offer support for work that is unpopular or

<sup>1</sup> Lundsgaarde, Erik et al. (2012). Private Foundations and Development Cooperation: insights from Tanzania. German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE). Studies 69, p.11.

<sup>2</sup> Edwards, Michael (2011). The Role and Limitations of Philanthropy. Commissioned by The Bellagio Initiative. New York. Demos; OECD-DAC (2003). Philanthropic Foundations and Development Co-operation. DAC Journal. Vol. 4, No. 3

<sup>3</sup> European Venture Philanthropy Association (2011). What is VP? Online: <http://evpa.eu.com/knowledge-centre/what-is-vp/> (accessed 22 March 2013)

underfunded for political or other reasons”.<sup>4</sup> They indeed have the possibility to operate without some of the constraints faced by companies or governments, since they do not depend on immediate financial return, have less accountability schemes (most often only having to report to their board) and are free from the political/electoral cycle, which gives them a comparative advantage over more traditional development actors. Through this “window of opportunity”, foundations can develop innovative practices on thematic issues crucial to foster social cohesion, such as supporting innovative approaches to education, youth empowerment, health, governance or inclusive growth, while keeping exploring new approaches to optimise results and impact and seeking to scale up most successful pilot initiatives.

### **Recent examples of foundations’ successful engagement for social cohesion**

The Rockefeller Foundation’s efforts to achieve equitable growth and build resilience through the stimulation of job opportunities in Africa’s fast growing Information and Communication Technology (ICT) enabled sectors can be cited as a particularly promising initiative. Its work on digital jobs aims at increasing the income of poor and vulnerable youth, as well as improving their access to better job opportunities, by ensuring that they develop skills required to enter and remain in a dynamic labour market.<sup>5</sup> In emerging economies such as Brazil, foundations have also played a key role in promoting social cohesion. For instance, the Instituto Ayrton Senna (IAS) focused on the Brazilian public educational system has assisted almost 14 million children and qualified over 620 thousand educators in the last 16 years through its programmes, in more than 1300 municipalities in 26 Brazilian States. IAS is currently developing a project together with the OECD (EDU/CERI) that will recommend instruments to measure and evaluate the impact of non-cognitive skills in school results. The pilot project, taking place this year, will reach 25,000 children and teenagers enrolled in the public schools of Rio de Janeiro state. In 2004, IAS was acknowledged with the Chair in Education and Human Development by UNESCO, recognizing the Institute as a world reference in large scale education solutions to improve human development (Instituto Ayrton Senna).

### **What role for foundations in the “development galaxy”?**

Far from being competitors, foundations and “traditional” bilateral or multilateral donors should be seen as complementary partners. Dealing with limited financial resources, foundations must try to capitalise and build on their two main comparative advantages – i.e. their capacity for innovation and risk-taking – in order to fill in an existing gap in development cooperation. Indeed, “it could be argued that the possibilities for failure only increase the need for as many fresh ideas and new approaches as possible”.<sup>6</sup> From their standpoint, traditional donors can then scale-up and expand initiatives that have proven to be successful.<sup>7</sup>

### **What are the risks of foundations’ implication in development co-operation?**

Foundations’ relative greater scope for engagement comes hand in hand with a certain risk of insulation – their biggest strength paradoxically turning out to be their biggest weakness<sup>8</sup> (Edwards 2011) – since they have no obligation to align their activities with national priorities or to coordinate with the other development actors before launching a new initiative. This is to be particularly critical in the post 2015 setting and indispensable to meet recent commitments from the 1<sup>st</sup> Ministerial meeting in March 2013 of the *Global Partnership on Effective Development Co-operation*.

[netFWD](#) is the 1st OECD Network of Foundations. It is a small group of self-selected foundations committed to optimising and accelerating the impact of philanthropy for development through the sharing of experiences, lesson learning, influencing policy and the development of innovative partnerships. Contact: [dev.foundations@oecd.org](mailto:dev.foundations@oecd.org).

<sup>4</sup> Edwards, Michael (2011). The Role and Limitations of Philanthropy. *Op. cit.*, p.3

<sup>5</sup> The Rockefeller Foundation (2013). Identifying Digital Opportunities for African Youth. Online: <http://www.rockefellerfoundation.org/news/news/identifying-digital-opportunities> (accessed 26 March 2013)

<sup>6</sup> OECD-DAC (2003). Philanthropic Foundations and Development Co-operation. *Op. cit*, p.48

<sup>7</sup> Bishop, Matthew and Michael Green (2008). Philanthrocapitalism: How giving can save the world. Bloomsbury Press

<sup>8</sup> Edwards, Michael (2011). The Role and Limitations of Philanthropy. *Op. cit*.