

The Role of **Philanthropic Foundations** in Development Finance: **Actual versus Potential**

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Presentation Outline

1. **Foundations' role in development – main messages**
2. **Global Development Finance: Private and Official capital flows**
3. **American foundations: amounts, sectors, channels of aid implementation**
4. **European and Asian foundations**
5. **Topics for discussion**

Main Messages

- Foundations play increasingly important role in development assistance (*data availability challenge*).
- International development activities represent a small part of the foundations' work
- The phenomenon of philanthropy for development is US dominated
- The poorest countries are not yet the main direct recipients of aid, due to mechanisms of foundations' operations

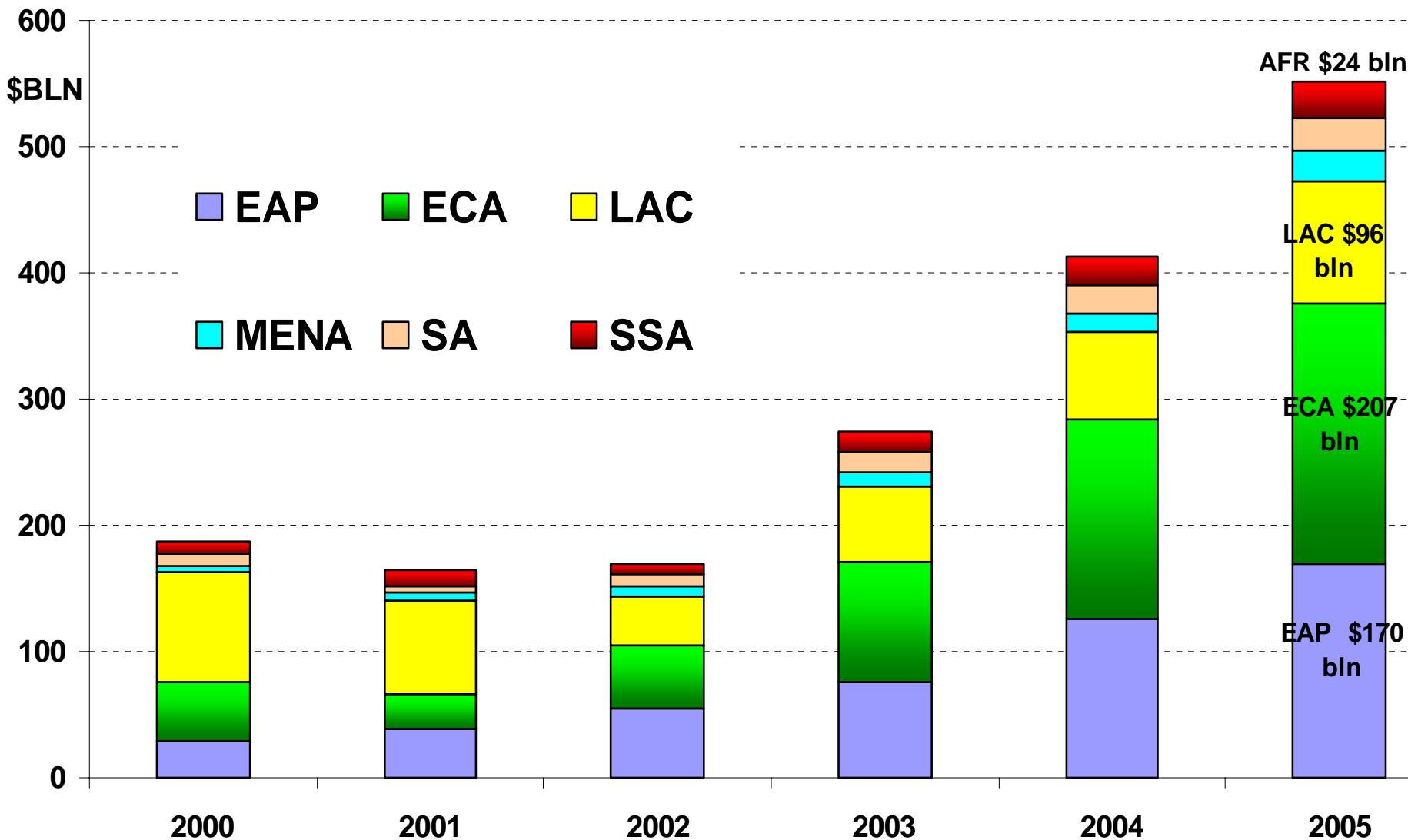
Potential role of Philanthropy in International development is significant

- Experience: since 1920
- Number: Now more than 100,000 foundations
- Financial capacity: Total **Assets** of the US foundations account for \$950 billion; ~700 billionaires in the world

ACTUALLY:

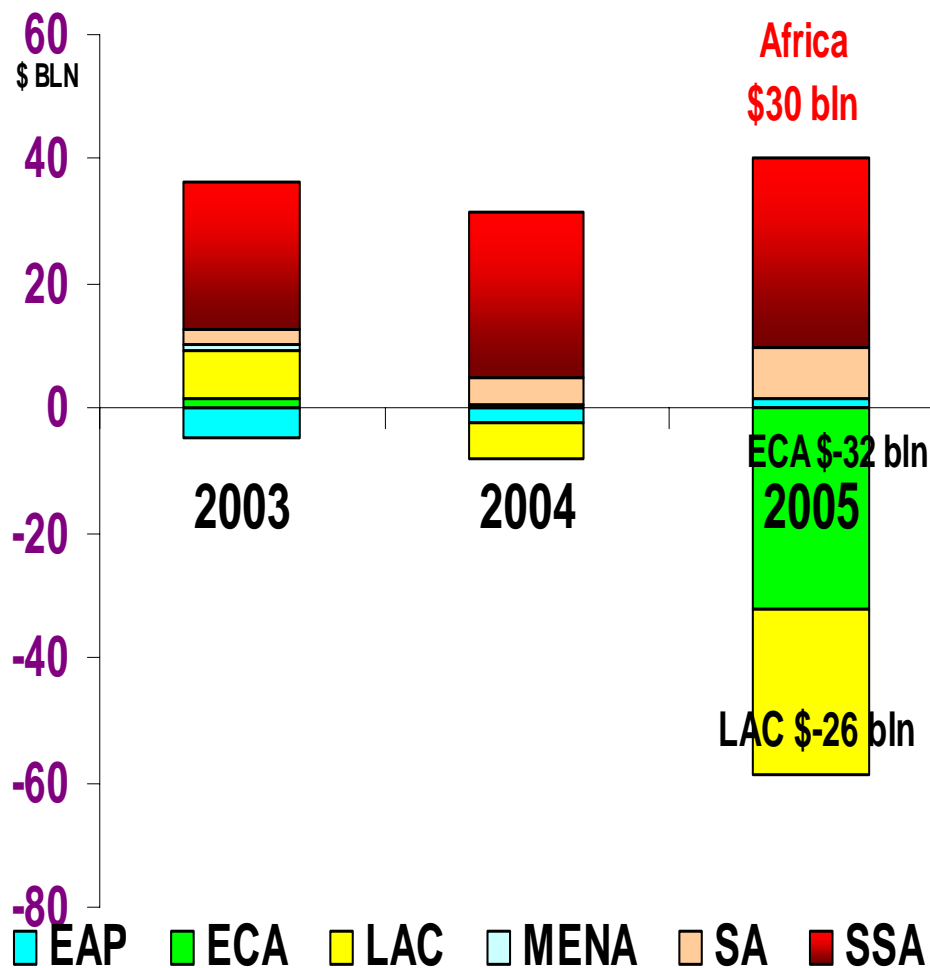
- Most of the foundations are not active in international development:
1% of ~ 100,000 of the world's foundations, have activities affecting developing countries
- The total of the world's **foundations giving** for development is about \$ 5 billion annually at most
- How does it compare with **official** ODA grants \$103 billion ?
- ...and with the total **private capital flows** to developing countries (\$550 to 600 billion)?

Private net capital flows to developing countries are *concentrated in the middle income countries of Emerging Europe and Asia (few in Africa)*

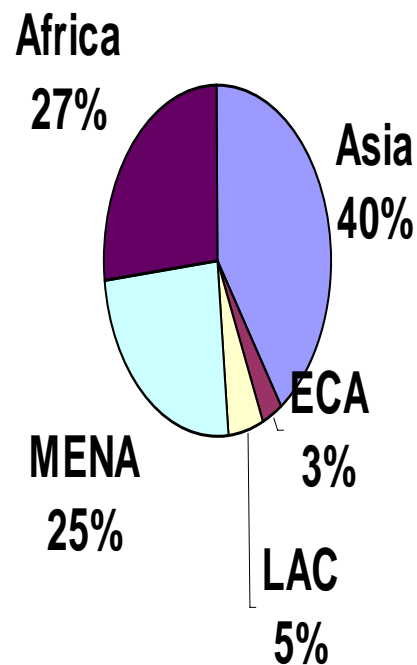


Official net flows (aid+debt) to developing countries are most important for Africa...

Official Grants in 2005 favored Asia and Africa



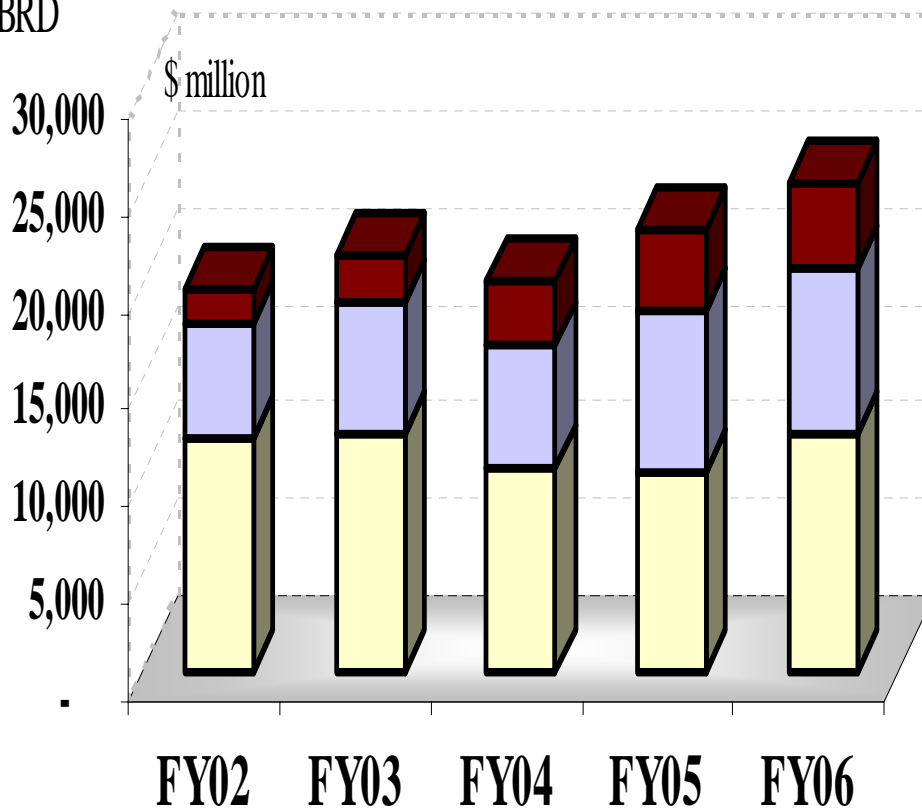
Official Grants by region



The role of the World Bank in ODA

Total IBRD, IDA and Donor Fund Disbursements

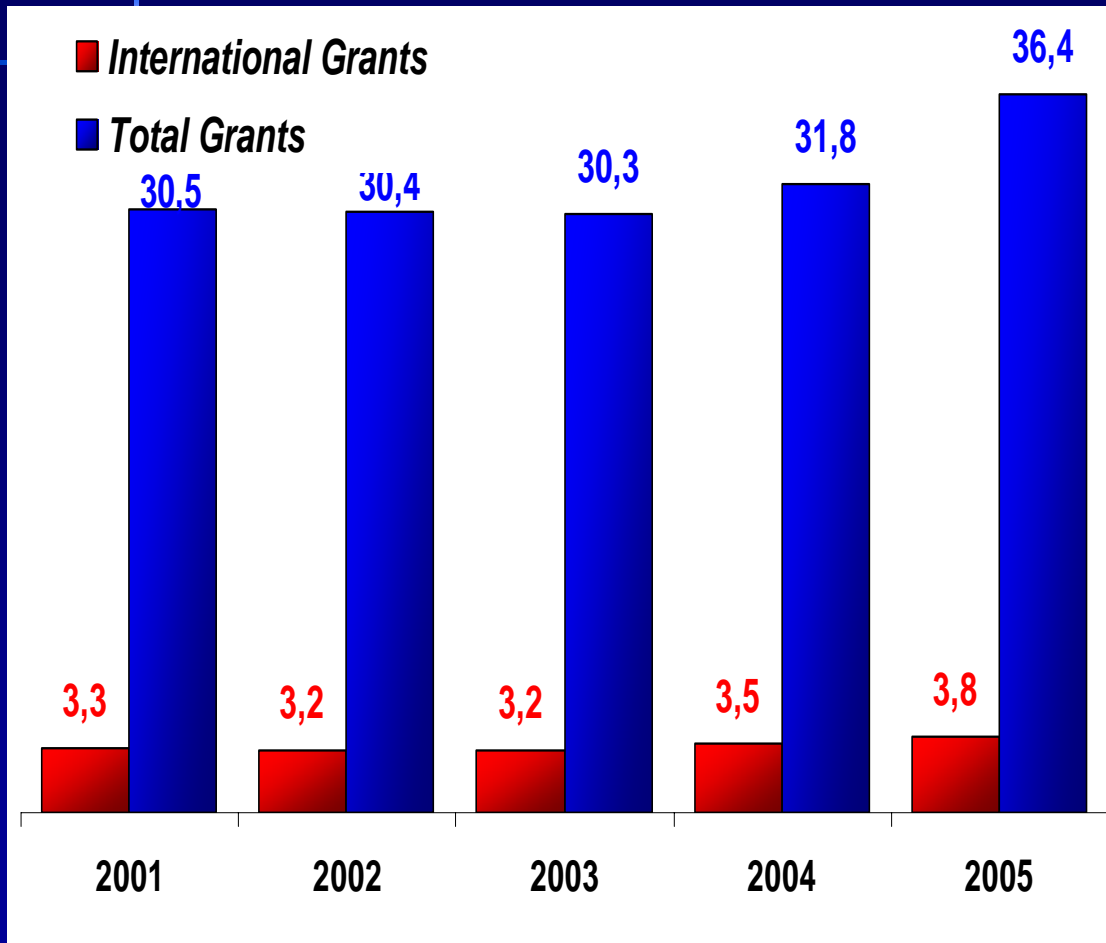
- DFs
- IDA
- IBRD



WB continues to play the main role in the poorest countries through IDA (more than 50% of which goes to Africa)

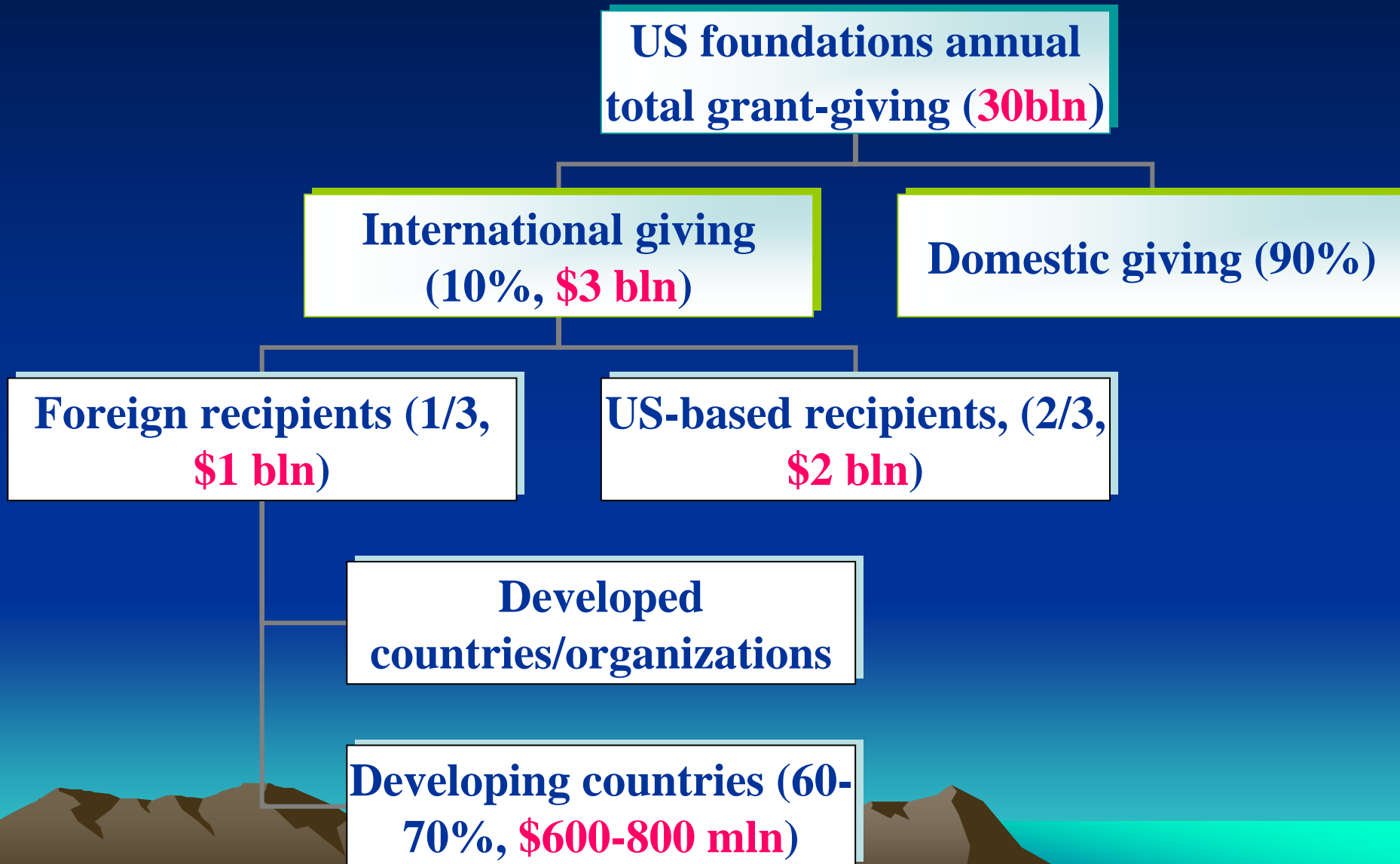
The World Bank as a multilateral attracts some of the foundations through its Donor Funds mechanism

Foundations based in the United States: 90% of grants support Domestic activities



- 3,8 billion international grants
- 68,000 grant-making foundations
- Top 12 account for 50%
- Types: independent (Gates, Ford, Moore), corporate (CitiGroup, Coca-Cola), community...

Grants-Distribution Scheme, US Foundations

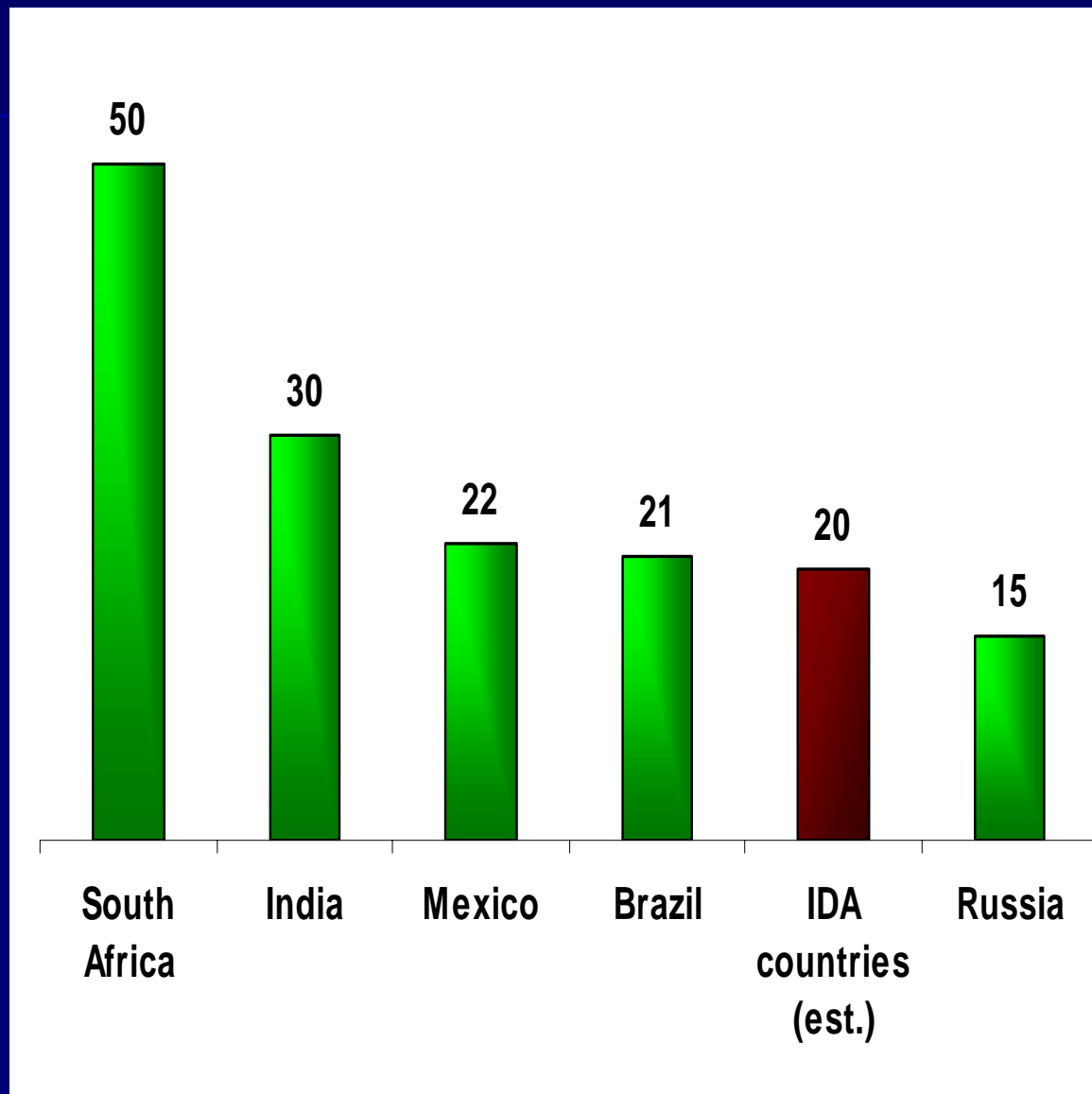


Main Direct recipients of the Foundations' aid are a few emerging economies, not the poorest countries...

Channels of Foundations' Aid Implementation:

- *Direct work in developing countries:* Ford, Kellogg, MacArthur, and Soros Foundations through offices (12 foundations have offices in IDA countries)

- *Through existing organizations:* Gates, Hewlett Packard Foundations and the Rockefeller Fund
- *Hybrid models* (eBay, Aol, Google)

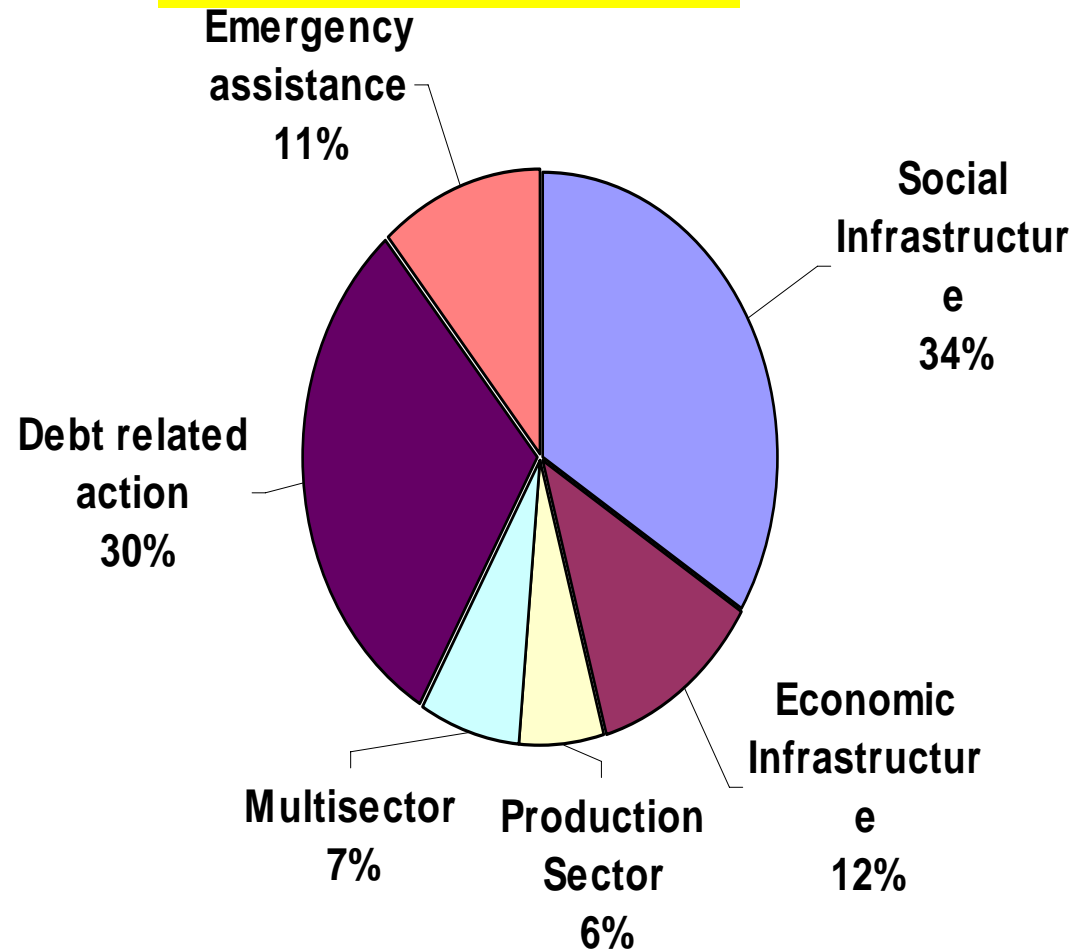


Sectors of Foundations' International Grants and of the Official Development Grants

Foundations:

- Health ~50% of the total
(Gates accounts for 1.2 of 1.4 billion)
- *Other sectors:*
International development (11-13%)
Environment (6%)
Education (5%)
Human rights, art, religion

Official Development Grants



European Foundations

- European foundations developed slower: greater propensity to state over private action, a stronger welfare system.
- Amount: International grants by European foundations currently at about \$600 million annually
- Number: European Foundations Center lists about 200 foundations
- Countries: Foundations are concentrated in Sweden, Denmark, Britain, Germany and Switzerland
- Sectors: Education, research and health care are the main sectors that benefit from European Foundations



Asian Foundations

- Asian Foundations play an increasingly important role in their Region
- Asian Philanthropy is mostly directed at local community needs and social welfare
- Asian foundations are in Australia, Japan, China, Korea, but also found in Vietnam, Malaysia, Philippines, Thailand
- Japan Foundations Center reports about 60 million of international grant making
- Total international giving by Asian foundations can be estimated at \$400 million



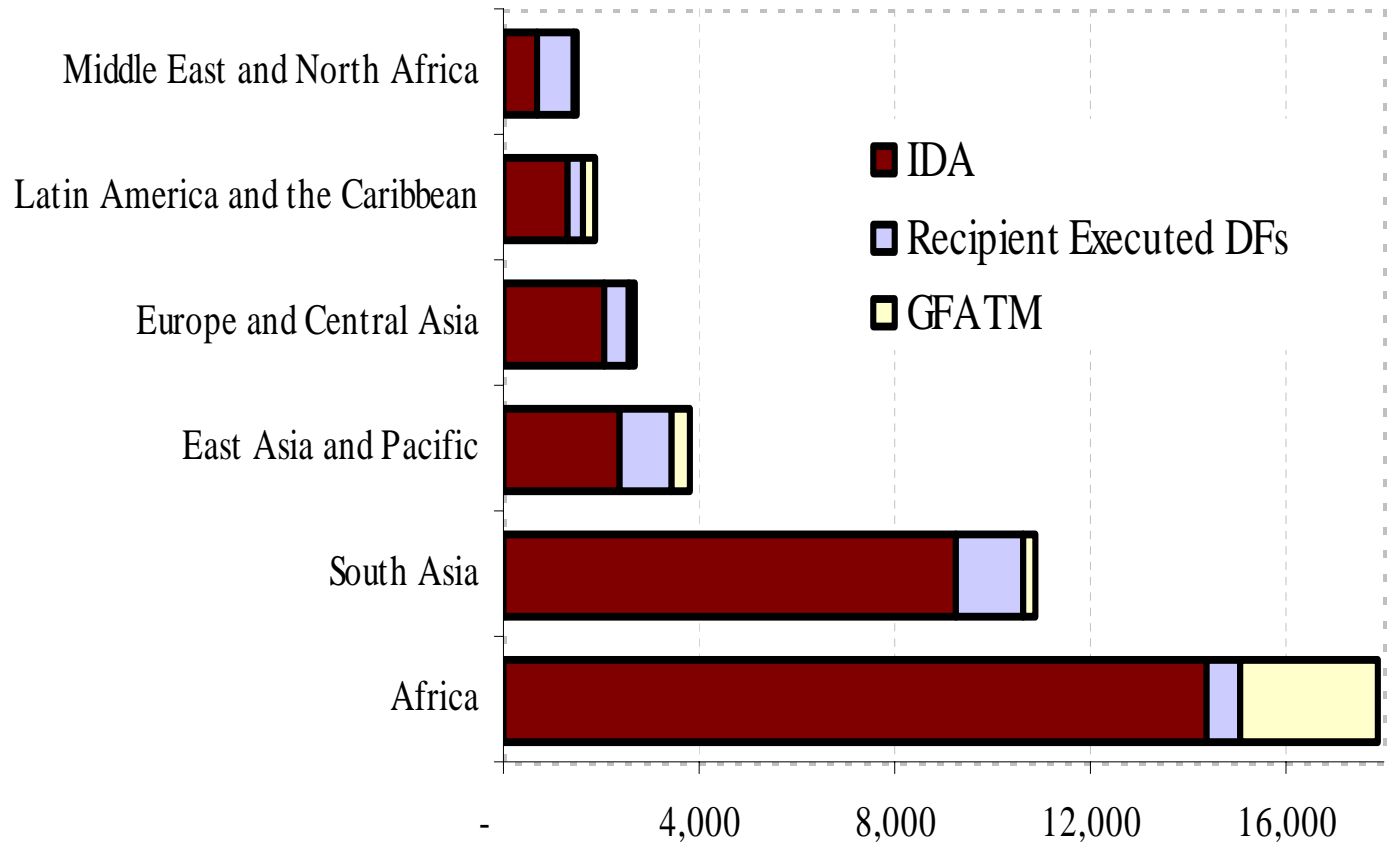
Topics for Discussion

Complementarily with Official Development Assistance on the following aspects:

1. Sectors (production/ social sectors, research/projects)
 2. Forms of aid (grants/loans)
 3. Beneficiaries (public institutions/communities)
 4. Accountability and Governance (public/private)
 5. Aid implementation (country-based/global funds)
 6. Partnerships (official agencies, foundations, private sector)
 7. Aid effectiveness and results measurement systems
- **Centralized data collection system is needed on the capital flows from foundations for development**

FY03-06 Total IDA, Recipient Executed DF and GFATM Disbursements by Region

USD millions



FY03-06 Total IDA, GEF, GFATM and the Recipient Executed DFs

Disbursements by Sector

USD millions

