

## [ POLICY BRIEF ]

# Global Philanthropists and European Development Cooperation<sup>1</sup>

By Erik Lundsgaarde, Research Fellow, DIE

In the summer of 2010, the American billionaires Warren Buffett and Bill and Melinda Gates garnered media attention for their call for their most affluent compatriots to give a majority of their accumulated wealth to charitable causes.<sup>2</sup> The same trio has also played an important role in drawing attention to philanthropic giving for global development in recent years due to the sizeable resources that the Bill and Melinda Gates Foundation has committed to addressing development goals. While Gates Foundation giving has been an obvious focal point for interest in philanthropic engagement in development due to a scale putting it in financial terms in the league of smaller OECD donors such as Belgium or Switzerland and due to its upward trajectory, the philanthropic landscape encompasses a diversity of actors including family foundations with a long track record of engagement on development issues and philanthropies linked to private firms. Nor is global development-oriented philanthropy a purely American enterprise: the philanthropic visibility of private actors from Europe and from developing countries is also increasing.

### Overview of Philanthropic Engagement in Global Development

Giving from private foundations directed to developing countries represents a relatively small share of overall philanthropic activity, reflecting a strong preference for foundations to give locally in the regions where they are based. Recent estimates of European foundation giving for global development have suggested that European foundations direct about one sixth of their funding to development, while American foundations distribute about one fifth of their resources internationally, only a portion of which reaches developing countries. US-based foundations are estimated to be more generous internationally than European foundations, having committed some US \$3.3 billion to developing countries in 2007 compared to the US \$607 million granted by European

This paper outlines general characteristics of global philanthropists and highlights areas for strengthened engagement among European development actors to facilitate a positive contribution of philanthropic actors to global development efforts. Key areas for further European engagement are the promotion of increased transparency in the philanthropic sector and the development of knowledge transfer mechanisms to facilitate complementarity among public and private development cooperation actors. In addition, the more prominent role assumed by philanthropic actors in development should provide a stimulus for European donors to reduce fragmentation within their aid systems and enhance internal coordination efforts.

1 This briefing paper summarises central elements of the analysis of the development engagement of private foundations and corporate philanthropies appearing in the paper »Emerging Non-State Actors in Global Development: Challenges for Europe« (EDC 2020 Working Paper 7), available at <http://www.edc2020.eu>.

2 See Di Mento, M./C. Preston (2010): Wealthy Americans Urged to Give Billions to Charitable Causes. The Chronicle of Philanthropy 16 June (<http://philanthropy.com>).



foundations in 2005. In both regions foundation giving has displayed an upward trend, indicating possibilities for further resource mobilisation from these sources in the future.<sup>3</sup> While a large portion of US-based foundation giving for global development is attributable to resource commitments from the Gates Foundation, the higher figures on development philanthropy in the United States may also reflect the fact that financial reporting requirements for American foundations are considered more stringent in comparison to European foundations. Reliable financial reporting provides a basis not only for assessing general giving trends but also for tracking foundation-funded activities in developing countries and eventually gauging their impact.

The diversity of the foundation sector ensures that philanthropic funding priorities in global development are also varied. Though the financial and political independence of foundations has in some cases led to investments in sensitive areas such as population planning or democracy promotion where public donors have been cautious or to a willingness to invest in global public goods such as research on agricultural development and public health, foundations also invest in many traditional areas of development cooperation. Funding for the health and education sectors has represented a special priority for foundations overall, with other areas of engagement including agriculture, small business development, contributions to disaster relief, and good governance promotion. With regard to the geographical allocation of global development philanthropy, countries in Eastern and Southern Africa as well as the emerging economies of Brazil, China, India, and South Africa appear to be privileged recipients.

Geographical priorities of foundation giving are attributable in part to the relative ease of identifying partner organisations in different operational settings. Although some foundations have field offices to oversee programme implementation in developing countries, the model of foundation giving in global development is often highly centralised, implying a detached relationship between financing and implementation through partner organisations on the ground. The distance between headquarters and country-level implementation can encourage a supply-driven orientation in foundation giving that does not realise potential to respond to

<sup>3</sup> Philanthropic funding was nevertheless not immune from the development financing downturn related to the recent global financial crisis.

locally-determined needs. In addition, this financing model may increase the difficulty of monitoring activities funded by foundations and coordinating these activities with partner country governments and other donors. The reliance of philanthropic actors on civil society organisations as implementing partners suggests that critiques of non-governmental actors in development cooperation more broadly are also relevant to the analysis of global development philanthropy. Beyond questions related to the transparency and accountability of the sector, ensuring ownership of foundation-supported activities may also be problematic at the country level, particularly where Northern civil society organisations serve as favoured implementing partners.

The global giving landscape also includes growing philanthropic activities associated with corporate actors. As with foundation giving more generally, the volume of financing coming from corporate philanthropies has been better documented in the United States than in Europe, with the Washington DC-based Hudson Institute estimating that American corporations provided US \$6.8 billion in global development funding in 2007. Figures on global development-oriented giving nevertheless represent a small share of overall philanthropic engagement from corporations, and giving figures are also small in comparison to the resource wealth of business actors in general. In example, Shell International reported revenues of US \$278.2 billion and income of US \$12.7 billion in 2009, while charitable outlays from the Shell Foundation amounted to just under US \$13 million in the same year.<sup>4</sup> Though the development community may have a direct interest in the projects that are financed by corporate philanthropies, corporate actors (and firms with a global reach in particular) can be expected to continue to have the largest development impact through their core business operations. As a result, the promotion of business practices integrating higher labour and environmental standards and fostering wealth creation in developing country economies should constitute a high priority area for engagement between donor governments and private sector actors, independent of efforts to more closely monitor corporate giving trends.

<sup>4</sup> Shell revenue and income figures for 2009 were taken from the corporation's website: [http://www.shell.com/home/content/aboutshell/at\\_a\\_glance/](http://www.shell.com/home/content/aboutshell/at_a_glance/); the Shell Foundation figure comes from the foundation's Trustee's Report from 2009, available online at: [http://www.shellfoundation.org/images/about\\_us/Trustees%20Report%20%20Accounts%202009%20-%20FINAL%20FOR%20SIGNING.pdf](http://www.shellfoundation.org/images/about_us/Trustees%20Report%20%20Accounts%202009%20-%20FINAL%20FOR%20SIGNING.pdf).

Like other private philanthropic actors, corporate philanthropists provide funding for development through a diversity of channels and engage in a variety of sectors, with priorities often related to the area of specialisation of the firms with which they are associated. While analyses of private aid allocation remain scarce, there are signs that this linkage between business goals and philanthropy may reinforce differences among developing countries in terms of their ability to attract development financing, considering the prospect that charitable giving from firms will follow their foreign investments.<sup>5</sup>

Private philanthropy can take the form of in-kind donations of products, contributions to humanitarian relief initiatives, or support for development projects implemented by civil society organisations. If these channels for giving are associated with traditional forms of development cooperation (ie project assistance) which official donors have moved away from over time, corporate philanthropy has also drawn attention due to the perception that private actors are proposing fundamentally new models of providing assistance characterised by the application of business principles to charitable endeavours. The blurring of boundaries between business activity and philanthropic engagement has been captured by the terms philanthrocapitalism or strategic philanthropy, with the latter term signifying giving designed to directly contribute to improvements in a firm's operating environment and by extension its bottom line. Such initiatives carry the potential to influence the adoption of more development-friendly orientations within firms and also offer prospects for creating and strengthening partnerships with public actors to address development goals. Yet little systematic analysis exists on the development impact of such initiatives.

### Recommendations for European Engagement with Global Philanthropists

As the above discussion suggests, descriptions of general tendencies in global philanthropy remain tentative as a result of an inadequate information base. One priority area for engagement among European donors should be

the promotion of greater transparency within the philanthropic sector through support for greater data collection efforts related to private aid provision. This goal can be pursued in part by improving mandatory financial reporting on foundation activities and charitable giving within member states and at the EU level. In parallel, European donors can consider how to strengthen the role of the OECD Development Assistance Committee (DAC) in collecting data on private giving as a complement to ongoing efforts to accurately track official aid commitments and disbursements. A third avenue for improving the knowledge base about foundation activities would be to work more closely with the European Foundation Centre, an independent industry association within the philanthropic sector, or other umbrella organisations for private actors to increase voluntary reporting on global philanthropy.

Improving the information base on private philanthropic activity is important at a global level in order to inform donor strategies for engaging with the sector. Better knowledge about the geographical concentration and sectoral emphasis of private giving is a prerequisite for determining where the greatest opportunities for building partnerships with philanthropic actors exist, or conversely where the potential for the emergence of goal conflicts is strongest. More complete global portraits of the scale and substance of philanthropic engagement could also serve as a source of motivation to encourage private actors to mobilise more resources in support of development efforts in regions that they have neglected to date. At the country level, tracking aid flows from private actors more closely is an essential element in assessing the influence of external assistance over development outcomes. More specifically, efforts to improve transparency in development financing are a cornerstone of promoting greater accountability. This not only means that private actors should be accountable for the results that they promise to deliver, but also that it is important to scrutinise their activities to monitor whether their engagement has unintended negative consequences, such as undermining domestic accountability mechanisms. Regardless of their legal status in their countries of origin, global philanthropists are political actors because the funding they provide carries the potential to influence the distribution of opportunities in the developing world. Their country-level footprints therefore merit greater scrutiny.

A second priority area for European donors with regard to engagement with private philanthropists

<sup>5</sup> This observation is made in a recent study of Nestlé's global development-oriented corporate giving. Please see: Metzger, L. / P. Nunnenkamp / T.O. Mahmoud (2010): Is Corporate Aid Targeted to Poor and Deserving Countries? A Case Study of Nestlé's Aid Allocation. *World Development* 38(3): 228–43.

relates to the issue of knowledge transfer. Though it is sometimes assumed that ›new‹ actors in the development landscape naturally bring with them refreshing and innovative approaches to development cooperation, many private actors may pursue cooperation in a manner similar to that practiced by more traditional development actors. Like public donors, recent private entrants to the development marketplace face challenges in interpreting a complex operating environment where political and economic framework conditions that influence the overall outcomes to which they hope to contribute may be fundamentally different from those prevailing in their regions of origin. Philanthropists may be inadequately sensitised to the lessons that public actors have accumulated through time about how to engage in these settings to improve the effectiveness of their interventions, and greater outreach efforts on the part of European donors would help to facilitate knowledge sharing with a view to combining expertise from public actors and emerging philanthropists to produce imaginative approaches for confronting development challenges that are conscious of lessons of the past. Mechanisms

for improved knowledge transfer can include closer engagement with philanthropic industry associations fostering standards setting or the creation of partnerships with private actors under the umbrella of official aid programmes.

The rise of global philanthropy is an expression of the proliferation of actors in the current development landscape. This proliferation presents European actors not only with a coordination challenge toward external actors, but also adds pressure to improve coordination within Europe, not least because criticisms of growing fragmentation in aid delivery directed at ›new‹ philanthropic actors are less credible if European donors do not progress in efforts to achieve a more efficient division of labour among themselves.

**About the author:** Erik Lundsgaarde is a Research Fellow at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), where his work analyses emerging development policy challenges. He holds a Ph.D. in Political Science from the University of Washington.

EADI  
Kaiser-Friedrich-Strasse 11  
D-53113 Bonn  
Tel.: (+49) 228.2 61 81 01  
Fax: (+49) 228.2 61 81 03  
[www.eadi.org](http://www.eadi.org)  
[www.edc2020.eu](http://www.edc2020.eu)

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