



Report on Wilton Park Conference 882

PARTNERSHIPS FOR DEVELOPMENT FORUM

Wednesday 16 – Friday 18 April 2008

**in co-operation with The Baring Foundation, The Nuffield Foundation,
The German Marshall Foundation of the US, The Wellcome Trust and
New Philanthropy Capital**

Summary

Though small in comparison to total government funding, philanthropic private funding can bring greater reach, independence and new approaches. Participants from North and South; trusts and foundations; corporate and private philanthropy; development projects; funding agencies; and multinational companies and government development agencies discussed the role of private funding in development and advocated its growing importance.

As well as discussing the long-standing challenges of poverty and underdevelopment, the Forum looked at the growing impact of climate change and access to energy, and the response to complex emergencies, fragile states and post-conflict societies. There was a role for private funding in these areas. The Forum addressed the acute challenges of Sub-Saharan Africa in particular. Job creation, women's rights, youth and leadership were identified as key areas private funders could support.

Funders of development initiatives want their contribution to make the maximum possible impact. But how? By taking risks and innovating or playing it safe? How can impact be assessed? A funder needs to develop strong, streamlined and transparent methodologies involving both implementers and recipients. Funders must be prepared to learn from mistakes and share tough lessons.

Cooperation, whether sharing knowledge or more formal partnerships, between funders in international development has many benefits. Care was needed, however, to produce them. Expectations and practical objectives, timescales and funding need to be properly addressed within an overall framework of trust. Cooperation should not aim to reduce or inhibit diversity. If so, or if transaction costs were high, individual initiatives could still outweigh the benefits of a cooperative venture in some cases. Whether operating alone or in partnership, donor accountability needed greater attention.

Private funders have more opportunity to exercise independence in funding and take risks. Their contribution will be an abiding feature of the future funding pattern, and is likely to increase in importance. Developing contacts with other actors and learning from others will benefit both funders and the programmes they seek to implement.

Introduction

1. The Baring Foundation, Nuffield Foundation and Paul Hamlyn Foundation, funders of international development work on a relatively small scale (less than one million pounds pa) started to consider their approaches and what value they and others added, particularly given the scale of the development challenge. Their ensuing report, *Going Global* inter alia noted:

- although UK trust and foundation funding (around £150 million pa) is small in comparison to total UK government funding (some £4.8bn), it is significant in relation to UK government funding of civil society organisations amounting to £328 million in 2004/05;
- grantseekers value funding provided by foundations, for instance its flexibility and willingness to support new and marginal issues.

2. The conference, which brought together a wide range of people from different backgrounds, organisations and countries, sought to explore these findings with a wide group of people to understand the value of such funding and to examine the potential for improvement.

Background: putting private funding in context

3. The conference focused on the role of private funding in development, defined as funding for development that is not provided by governments via overseas development aid (ODA), family remittances or foreign direct investment (FDI). It therefore includes funding from trusts and foundations, businesses and individuals, which in the most part flows to Non-Governmental Organisations (NGOs).

4. **Philanthropic private funding** (from trusts, foundations, businesses and individuals) has the primary aim of resulting in a **social return**. Some of the newer providers of such funding, often referred to as 'philanthro-capitalists' may use a business-like/impact-focused language, but their focus is still on ensuring social returns. This contrasts with private investment capital funding from businesses primarily seeking a financial return, for example projects by the Christie Company and Unilever. These investments may also deliver substantial social benefits, but would not be classified as philanthropic private funding.

Why is the role of private funding interesting?

5. In comparison to other flows of funding (ODA, remittances, FDI), private funding is small. It is nevertheless of interest to those that provide it and who want to know how to make the greatest difference with their funding; it is of interest to NGOs because it is not tied to a defined government or international agenda and therefore can be used for projects which are difficult to fund; and it is of interest to governments given its independence.

6. The role of private funding in development is particularly worth attention now because private funding is growing with the appearance of new large-scale funders interested in developing countries, eg, Gates, Children's Investment Fund Foundation etc. It is not just the growth of money available – many of these new entrants are keen to be engaged in solving the issues; are bringing skills (many are entrepreneurs with business backgrounds); and are emphasising the importance of new approaches. This growth, combined with the characteristics of private funding, mean that it can achieve something different from larger funding streams.

How does private funding fit into the wider context of funding international development?

7. Aid effectiveness is an important area of debate as it places recipient/borrowing countries at the centre of the process. However, there are criticisms of the Paris Declaration, namely that it focuses on the logistics and effectiveness of systems, rather than whether aid is benefiting development. This means that donors set indicators around technicalities of aid disbursement and financial accountability, but do not root criteria in the need to demonstrate development effectiveness.

8. A number of funding characteristics prevent the delivery of 'good development', including erratic funding flows, changing strategies, short term funding, high reporting demands and poor feedback. Impact is not properly defined or assessed, making it difficult to assess the success of aid. Accountability within the aid system is criticised for being entirely one way, with recipients and/or delivery agents at the end of the aid chain expected to demonstrate accountability, but with no reciprocal accountability from donors for their ideas, conditions imposed or the impact of funds granted. Despite attempts to improve the situation, donors' demands are often criticised as simplistic and onerous. Although much of this debate relates most directly to bilateral and multilateral donors, it is essential that private donors recognise this and aim to reflect it in their funding programmes.

What role can private funding play in international development?

9. Private funders are supporting development work in a range of ways, for instance through international NGOs (UK based or otherwise), local NGOs, working in partnership amongst foundations (eg, Funders Collaborative for Children, Malawi), and as a business (eg, Unilever). It is interesting to note that the funder/delivery distinction is not a clear one. Funders therefore can also be some NGOs.

10. The unique characteristic of private funding is that they have the freedom to determine their own agenda. This means that funding can be directed to issues, and in ways, that ODA cannot. For instance, private funders can choose to fund unpopular topics, programmes and projects which may not fit with strategic

international agendas; advocacy and campaigning, work with less tangible outcomes such as human rights, and choose to support small and local NGOs. However, it is important to remember private funding can involve more than just funding. Different types of funders offer different assets, with associated pros and cons. To realise the most value, it is important for funders and NGOs to consider what funders bring in addition to funding (for instance knowledge, skills, a long-term commitment, networks, approaches to working), and how these can be utilised to meet particular needs.

11. In the case of business it can be possible to link tackling social issues with core business capabilities and functions. For example, Unilever used marketing skills to spread the idea of washing hands with soap with the United Nations Children's Educational Fund (UNICEF), and research and development on food products with the World Food Programme (WFP). 'Philanthro-capitalists', often coming from an entrepreneurial background, broadly bring another set of characteristics, including emphasising problem-solving, flexible approaches to get things done, sustainable solutions, and the use of networks for access.

12. The freedom to set agendas also means that funders can take a considered look at various issues and the needs for action, and can think about how they apply their unique characteristics to these issues. For example, they can choose areas which are overlooked, less high profile or popular, or which are making little progress. This means that they can work outside agreed international agendas, such as the Millennium Development Goals (MDGs), which can divert efforts from other areas.

What are the issues that private funders can tackle?

13. Many private funders aim to identify the most pressing issue, but that in practice has not proved realistic. Instead private funders need to consider the range of potential issues and logistical matters, and choose issues based on a combination of need, potential impact (through both funding and other support), and interest.

Pressing global challenges and trends

14. Key global challenges and trends are important areas for consideration and engagement:

- **Global Population** may grow to 9 billion by 2030, with most of the increase in the developing world, particularly in urban areas. Demand for basic services, strong forces for migration, and more demand and stress on resources will be key issues. There is perhaps a role for private funding to take a lead in conceptualising what urban development means and how to manage it.
- **Global balance of power:** between now and 2020, the Group of 7 (G7)'s share of the global gross domestic product (GDP) will shrink and the share of BRIC's (Brazil, Russia, India and China) will increase significantly. International fora such as the G7 and the UN Security Council need to become more representative of global big players. Western philanthropists should embrace new players, and in particular make links with Indian and Chinese counterparts and think tanks.
- **Security and conflict:** whilst the number of state-based, particularly interstate but also intra-state armed conflicts, appears to be on a downward trend, one-sided violence perpetrated by non-state armed groups appears to be rising. More effort to tackle inequality and social cohesion could help mitigate such violence.
- **Access to resources,** for example freshwater, will become a more pressing issue. Smarter, more effective pathways to growth are needed, and foundations can support research and analysis to encourage this.

Energy and climate change

15. Climate change will seriously change the face of development, for instance impacting food, water, ecosystems and increasing the incidence of extreme weather events. For instance, African crop yields could fall by 50%, land experiencing extreme drought could rise from 3% to 30%, and 200 million people could be permanently displaced by mid 2050.

16. There are three interlinking issues relating to energy and development:

- **energy access** is essential for development. 1.6 billion people have no access to electricity in their homes and improvements in energy access are essential to

achieving the MDGs. Yet we are approaching the limits of fossil fuel resources; the International Energy Agency (IEA) warns of depletion of oil in existing wells and expects a supply 'crunch' by 2015.

- **energy security** - growing demand leads to higher prices. The rising cost of oil is causing a 1% reduction of developing countries' GDP, reducing the value of aid supplied. Competition for resources could be the basis for future conflict.
- **climate change** – a 2°C degree rise in the global temperature is almost certain, 3°C is likely, and it could even rise as high as 6°C, which would be catastrophic. Carbon dioxide emissions need to fall soon. To hit the target of 500ppm, resulting in a 3°C rise, emissions must fall by 2030. The need for emissions to fall does not tally with the IEA's predictions for fossil fuel use. Ultimately the average emission per capita needs to be 4.7 tonnes. Currently the US emits 19.8 tonnes, and Europe 8.8 tonnes. Many parts of the world have virtually no emissions, but nonetheless aspire to develop, which will increase emissions.

17. This highlights the key 'energy puzzle': access to energy must be improved to achieve growth and poverty reduction, and

19. Women's rights are recognised to be central to the development agenda – both how to support women in their own right, and how this can also benefit the wider community, including children. However despite this recognition, donors are insufficiently supportive of the agenda. Although women's rights involve complex issues, many donors are looking for technical, quick fix solutions. Many of the safer issues that donors support, such as securing school places for girls, mask more complex underlying problems. Donors need to realise systemic changes require engagement with complex underlying political issues.

20. Discussions of development can focus overly on economic aspects, place less emphasis on the sociological and historical side. A holistic way of looking at development to create sustainable change in the continent should be encouraged. The youth in Africa are the next generation of leaders and producers, already making up over 50% of population in many parts of the continent. Yet many live marginally, most notably child soldiers and those affected by HIV/AIDS and conflict. These young people are excluded from education, skills, training and political participation. The perception of a 'lost generation' of victims is, however, simplistic and needs challenging. Investment in youth is an investment in the future. A space to listen to youth should be created to support them in building their vision for the future.

21. Leadership is crucial. African leaders must take the lead in delivering development. Leaders should aim to reduce debt, improve infrastructure, reduce poverty, promote strong institutions and macro-economic stability, and deliver good governance. Leadership development should be supported, even though it is difficult to deliver.

Fragile states

22. 40-60 countries around the world are 'fragile states' which inter alia can neither serve nor protect their citizens. Whilst the international community recognises that functioning states are central to delivering changes, there is no agreement on state-building. Existing international institutions and aid processes do not work in this changed context, in many cases having no impact or doing harm. Changes in practice are needed. There are lessons to be learnt from countries that have developed and transformed successfully such as Spain, Singapore, United Arab

Emirates (UAE), but also those that have failed, such as Afghanistan and Haiti. An alternative framework involves taking a systems view of the functions of the state, the constitution of the market, and the vitality of civil society. The role of these components must be reconsidered. Domestic leadership, political processes and civil society must play the leading role, but outsiders can also play a role through provision of investment and education and training. It is important for philanthropy to understand the context, and to give support long term.

Development and disasters

23. There is a common belief that disaster belongs to responders, not developers. When dealing with the consequences of disasters, donors forget to look for the root of the disaster which is often under-development. Therefore there is a need to think of disaster management in connection with development. Donors need to improve integration of disaster relief and development systems. Often money is 'thrown at' issues as they arise, whereas investment is needed in infrastructure to deal with these issues. Donors should consider how they can contribute to this, and in particular how they can build on what exists locally. There are examples in Latin America of donor agencies building new disaster management and response systems, despite their being existing systems in country, therefore fragmenting or damaging existing infrastructure through good intentions. Networked systems can share information on threats, and link development and disaster.

Civil society

24. Historically the development community has failed to understand, respect and support adequately the richness of civil society. Supporting home-grown civil society is an important role for philanthropy. Civil society organisations are voluntary, self-help organisations which support citizens and provide linkages with other components of society, government and business. They are flexible, and reflect changing circumstances.

How can private funding maximise impact and improve ways of working?

25. How can private funding work in order to deliver best impact, and/or improve current ways of working? Impact is inevitably a managerial discussion to some extent. There are concerns about the simplistic application of impact measures. Few understand that tackling the causes of poverty is complex, will take time, will suffer set-backs, and is dependent on many factors (some uncontrollable). Changes may take a long time to come to fruition, and may not be spectacular or quantifiable. Overly simplistic approaches that do not reflect this reality can have adverse consequences, for instance through a focus on short-term measurable change and simplistic targets for the aid given. The issue of women's rights, involving complex political needs, is a good example of an issue where short-term, restrictive impact measurement is harmful.

26. There has been a shift from funding focusing on partnership solidarity, to helping people meet stipulated agendas, with pre-set outcomes and success criteria (which often vary between donors). What are the ethics of assuming that money confers the power to determine outputs? Does the focus on impact lead to a target driven environment, embodying all of the concerns above (simplistic, imposed, short-termist) in addition to a reporting burden?

27. The focus on impact is encouraged by the development of methodologies for evaluation, the increased transparency and accessibility of results, and information that the internet enables. Delivering the agenda requires an entire system change, from the coalface to the public domain, in which learning must be central. It must start in the planning stage with a correct framing of the issues and desired impact, involving both implementers and recipients. Ultimately public reporting will be key to the understanding and delivery of impact. There should be a move from the status quo, where reporting is often a form of marketing and there are no incentives to share tough lessons, towards a learning-based approach where information and lessons are shared and used. Quantifying currently qualitative data will also be an important step.

28. Suggestions for donors in implementing such an approach include: have a learning agenda for every programme including a theory of change to test and a 'head full' of questions; never ask for data that will not be used; look at how data is utilised; pay attention to intermediary indicators that inform downstream results; publish both successful and unsuccessful lessons; invest in good planning and learning systems; and make sure you capture the voices of people the work is intended to impact. What do people say about what you say you achieve?

What is the role and scope for cooperation?

29. There are many opportunities for cooperation between a wide range of actors involved in international development, whether sharing knowledge or results, more formal partnerships or collaborations, resources and risks.

30. However, there are caveats. Firstly, and crucially, cooperation should not be at the expense of diversity. Diversity is important because development requires a holistic approach which only a diversity of organisations and interests can deliver. The danger of a strong cooperation agenda is that all parts gravitate towards the common ground, which inevitably represents a limited agenda and perspective. Governments need to consider the whole agenda, from crime to culture. Accordingly donors should support the full spectrum of activity by government, NGOs and business. Generally there is little evidence that a certain approach is best. Therefore a variety of tools to ensure the most appropriate approach for the task should be used, eg funding to achieve results, equity, and endowments. Cooperation should not aim to reduce or inhibit diversity, but rather to ensure that knowledge and results are shared and resources used most effectively. Secondly, there is a real transaction cost in putting together more complex cooperative ventures such as partnerships. To justify this cost there must be a real need, and the benefits must outweigh the transaction cost.

31. There are many examples where partnership has delivered positive results, for instance the Funders Collaborative for Children, Malawi between four foundations; Make Poverty History between campaigning UK NGOs; and the ZippCard, an initiative to facilitate access to banks for those currently without bank accounts,

between the Commonwealth Business Council, Commonwealth Finance Solutions, and technical partners.

32. Important considerations for successfully working together include the importance of building trust; understanding what you bring and what your advantages are; understanding transaction costs, and understanding where partners converge and diverge. In addition to practical, project-level cooperation, there is also a need for ongoing policy-level dialogue.

33. Benefits of increased cooperation include: better delivery on the ground; improved outcomes for poorer people; reduced duplication through a better understanding of who is doing what; sharing of information and knowledge resulting in improved and faster learning; using knowledge of successes, failures and lessons in future work; encouraging innovation, new approaches, and new perspectives through greater diversity and a more holistic approach through pooling different components.

34. Barriers to cooperation include: transaction costs of forming and delivering partnerships; difficulty in defining common objectives; inherent differences of opinion; a reluctance to engage; egos of individuals and organisations, and good reasons not to cooperate including attaching value to being independent.

35. Suggested practical steps to working together and overcoming barriers include: take a long term approach; be focused but be prepared to take risks; structure ways of learning/sharing ideas and information (eg, internet, meetings etc); consider a forum for collaboration, including input from those we are working for; joint sector reviews on specific issues (rather than general good intent); governments/international organisations organised to respond to opportunities; and work together to reduce local level competition.

How can funders and NGOs work together better?

36. Funders and NGOs can successfully share aims and objectives, success criteria, trust, flexibility, long term relationships, fund grass-roots work, take risks as advocates and introduce other funders or contacts. Whilst funders can, and do add value and support NGOs through their funding, there are a number of issues that NGOs find unhelpful including: short term funding, often an immediate focus on 'phasing out' particularly where outcomes desired are complex and hard to deliver, (for instance in human rights work); unrealistic demands (often more than would be expected in the UK); demands that impose great costs on people (referred to as 'taxation'), for instance in terms of participation, or reporting, often with requirements varying between different funders; a desire to fund something new or innovative, resulting in a reluctance to respond to needs/plans identified locally, even where locally developed plans exist; a reluctance to cover costs associated indirectly with delivering work, for instance a proportion of central costs of International NGOs (INGOs) based in the UK; an assumption that in-country NGOs should be cheaper; and heavily restricted funding areas, limiting the type of work that can be supported, even if this makes limited sense in terms of delivery.

37. A number of actions or areas for improvement were identified: challenge the culture of funding timescales and processes from both sides; be more innovative in funding processes; use differentiated pots of capital, eg, seed capital for start-ups, second stage funding, capital development, 'blue chip' funding; improve intermediary services, for instance mapping of issues and those involved; support local NGOs including accessing them through other networks and increasing their visibility; support in assuring legitimacy (infrastructure to validate via the internet, feedback, Guidestar); certify basic standards to establish legitimacy; donor education etc; establish organisational level funding, and build relationships with organisations to cut transaction costs; simplify guidelines and reporting including unifying and aligning reporting requirements for different funders (if recipients want it, funders are willing to explore); develop honesty and trust; clarify what is needed; ensuring the relationship supports the discussion of failure, so that it does not necessarily endanger the funding relationship; allow for creativity in how to report; ensuring funders are more willing to pay core costs; ensuring NGOs are more 'upfront' about core costs;

challenge the assumption that low costs are good; critically assess what you are asked to pay for, e.g. is it investing in the local community, or flying in consultants?; help fund partners invest in assets; think of a long term plan to help cover costs and develop endowments; and consider the cost to local NGOs of engaging with funders (which can be quite time-intensive).

Consider ways of engaging in development

38. Funders need to consider carefully the power dynamic, and ensure that work reflects the needs and desires of those on the receiving end, and is not designed in a way that is counter-productive to achieving long-term, complex results. Funders should be aware of what already exists in-country, and support it wherever possible (eg, local civil society, disaster management systems); consider what others are doing, and ensure that work supported integrates it where necessary, thinking of short and long term results, for instance, in setting up education or health support for displaced children; be influenced by, and respond to, those on the receiving end of aid; avoid funding approaches that prevent effective delivery, eg, short term, incoherent strategies; minimise the cost to recipients; and listen, reflect and learn.

39. A system of accountability for funders is absent at the moment, and all the more notable for the considerable accountability requests from those delivering and receiving the funding. Those who are most vulnerable have huge expectations placed on them of what they will do and how they will report. With all the one way focus on performance on deliverers and recipients, there is no donor accountability for roles, concept, frameworks and their success and failure. There is little progress on this front anywhere, though some interesting work is being done by the Center for Effective Philanthropy in the US with their Grantee Perception Report.

Conclusions and points for future consideration

40. Some less obvious lessons, questions or suggestions for funders to develop their role, accountability and value.

- how to build financial sustainability for work in-country by investing in endowments and in-country philanthropy;

- more intelligent use of private funding than purely grants, including loans, guarantees, and performance related investments;
- support intermediaries and infrastructure development for better and increased funding by existing and new funders;
- seriously encourage learning and knowledge sharing through production and publishing good, open materials through making the discussion of failure acceptable, and even positive, both between grantees and donors and between funders;
- how to pursue/support financial as well as social aims, building more consideration of ongoing financial sustainability into work where relevant, and potentially delivering this through joint projects with partners;
- if there is need (and if so, how?) to highlight aid misuse, and change attitudes towards accountability;
- how to make the most of the skills and knowledge of other actors in the field, such as business;
- develop contacts with emerging players who will significantly impact the context in the next few years, notably India and China.

41. The conference brought together people and organisations that would not otherwise have been connected and presented a wider range of points of view and experience to people than they would normally encounter in their day-to-day work. The conference did not seek to reach formal conclusions but stimulated thinking, ideas, and initiatives which may pave the way for new practices in the future.

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Wilton Park Reports are brief summaries of the main points and conclusions of a conference. The reports reflect rapporteurs' personal interpretations of the proceedings – as such they do not constitute any institutional policy of Wilton Park nor do they necessarily represent the views of rapporteur.