

New
Philanthropy
Capital

Philanthropists without borders

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Supporting charities in developing countries



Philanthropists without borders

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This report has been supported by eight philanthropists.

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Summary

Great results can be achieved by giving internationally

Philanthropy can achieve great things—both at home and abroad. The Rockefeller Foundation largely funded the ‘Green Revolution’, which saw significant increases in agricultural production in developing countries between the 1940s and 1960s. More recently, the Bill & Melinda Gates Foundation funded the Global Alliance for Vaccines and Immunisations to reach an additional 115 million children in developing countries, helping to prevent 1.7 million deaths.

Donors on a smaller scale can also make a meaningful impact. A gift of £50—which will buy a couple of textbooks in the UK—can fund a year of secondary education for a child in Tanzania. Around £250 can provide water for 200 people in Zimbabwe. And £1,000 pays for a new house for a family of AIDS orphans in a deprived area of South Africa.

British donors would like to give more to international causes

In 2006, people in the UK gave over £1bn to international causes. This represents an eighth of their total giving, trailing only medical research and religious causes. Foundations gave a further £150m to international charities.

Extreme need, a moral imperative to respond, personal links and the fact that money goes further in the developing world are the main reasons why people give abroad. History is the most important driver for foundations.

There appears to be an untapped desire to give more to overseas charities. Over 70% of the 122 donors NPC surveyed in March 2007 said they would be interested in research and advice on charities in developing countries.

Many donors feel unfamiliar with overseas charities and are reluctant to trust them. To overcome this, they tend to give modest amounts to charities that they have a personal connection with—through business, travel, religious institutions or friends.

The scale of human poverty and suffering, as well as environmental degradation, is vast. The choice of which causes to give to is almost limitless—another fact that donors see as a barrier.

Personal preferences help to determine where to give—and to what

Few attempts have been made to prioritise the issues and countries that deserve our donations. Where attempts have been made, they are clouded in controversy.

The priorities with the most weight and the widest backing are the eight Millennium Development Goals (MDGs), agreed at the United Nations Millennium Summit in September 2000, and adopted by all 189 UN member states. Much development policy is now based on these goals, which focus on poverty, health and education.

Alternative approaches to selecting issues include cost-benefit analyses, where treating HIV and AIDS emerges as a priority, and the identification of ‘quick wins’. These include school feeding programmes, replenishment of soil nutrients for smallholder farmers and the distribution of mosquito nets to children in regions where malaria is rife.

When deciding which parts of the world to fund, criteria include countries with the most need and those most able to effectively absorb and use aid. Governments are increasingly using ‘good governance’ as the key criterion for their aid to developing countries.

Good results can be achieved almost anywhere when an effective organisation is funded. NPC therefore believes that one of the first filters should be what issues and areas of the world most resonate with the donor.

NPC’s survey of donors found that the causes donors would most like to support are education and economic empowerment. The region they choose to support most is sub-Saharan Africa. A broad typology of international donors includes global problem solvers, country supporters, grant-makers to UK organisations, sponsors, reactors, builders, innovators and social investors.

Selecting effective organisations can be complex

The effectiveness of both philanthropy and government aid are questioned. Country-level studies show no link between government aid and growth. It is the same for philanthropy and country growth. Studies of individual programmes show mixed results, with only around half of aid-funded projects having a positive impact.

Philanthropy has advantages over aid including independence from politics, flexibility, and the ability to provide ‘seed capital’ and long-term funding. As some charities and projects are more effective than others, selecting which organisations to fund is crucial.

Intermediaries make selection simpler and more rewarding

An array of intermediaries has emerged to make the task of identifying, selecting and monitoring charities simpler. They include research outfits, rating agencies, online exchanges, expert advisors, pooled funds and outsourced fund managers. Most of them are new and few donors are aware of them. Together they aim to increase the amount of funding going to effective organisations working in some of the poorest countries in the world.

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Introduction

The purpose of this report

This report provides an overview of the current state of international giving. It explores UK-based donors' interests and presents examples of giving across a range of issues. It aims to provide donors and potential donors with a framework for thinking about their international giving. And it will hopefully whet their appetite with examples of success.

The report also informed a broader NPC project that asked whether there is a need for a service providing advice on international giving. A starting hypothesis for this service is that advice can aid the effectiveness of donations, perhaps stimulating increased giving. The project could therefore lead to the development of services that increase the quantity and quality of giving by individuals to charities in developing countries.

Specifically, the project aimed to answer two main questions:

- Is there need and demand for additional research and advice to make private international giving more effective?
- If yes, how should it be delivered (what services should be offered by which organisations to whom) and what role should NPC play?

The answer to the first question was found to be 'yes'. The supporting evidence is presented in this report. In an attempt to address the need, NPC's trustees have agreed to pilot research into social sectors and charities in India during 2008.

Methods

The project was divided into two phases, one to address each of the questions.

The first phase examined the market for international giving. It measured the extent and, where possible, the effectiveness of private international giving.

Methods used include desk-based research; a web-based survey with 122 donor responses; interviews with 19 UK-based philanthropists; group meetings with an additional eight philanthropists; meetings with experts (eg, think tanks) and discussions with other players in the market (ie, foundations, intermediaries, large international Non-Governmental Organisations (NGOs)). Analysts also visited a number of charities in South Africa and India.

The second phase considered six case studies of non-profit organisations that have expanded internationally. It assessed ten strategic options for NPC against a number of criteria and made recommendations on the best way forward.

Scope and content

This report contains the findings from the first phase of the research.

It focuses on international giving by UK-based individuals. Many examples are drawn from South Africa and India. These countries were selected on the basis of client interest and existing networks: NPC recognises that they are not representative of all developing countries.

The examples in this report are *not* NPC recommendations. This report does not consider any issue or geography in great depth and the charities have not been analysed using NPC's methodology. Rather, the report aims to stimulate interest by illustrating the range of options available to donors.

Structure

Section 1 provides an overview of the magnitude of private funding. It documents the results of the survey and interviews with philanthropists and considers the motivations for, and barriers to, international giving.

Section 2 considers the role of private money and gives examples of what can be achieved.

Section 3 tackles the problem of how to think about selecting issues and geographies.

Section 4 provides interesting examples of areas to fund in education, health and microfinance by way of illustration.

Section 5 provides an overview of existing intermediaries and services and considers the gaps in the market. The report concludes with a vision for effective international giving.

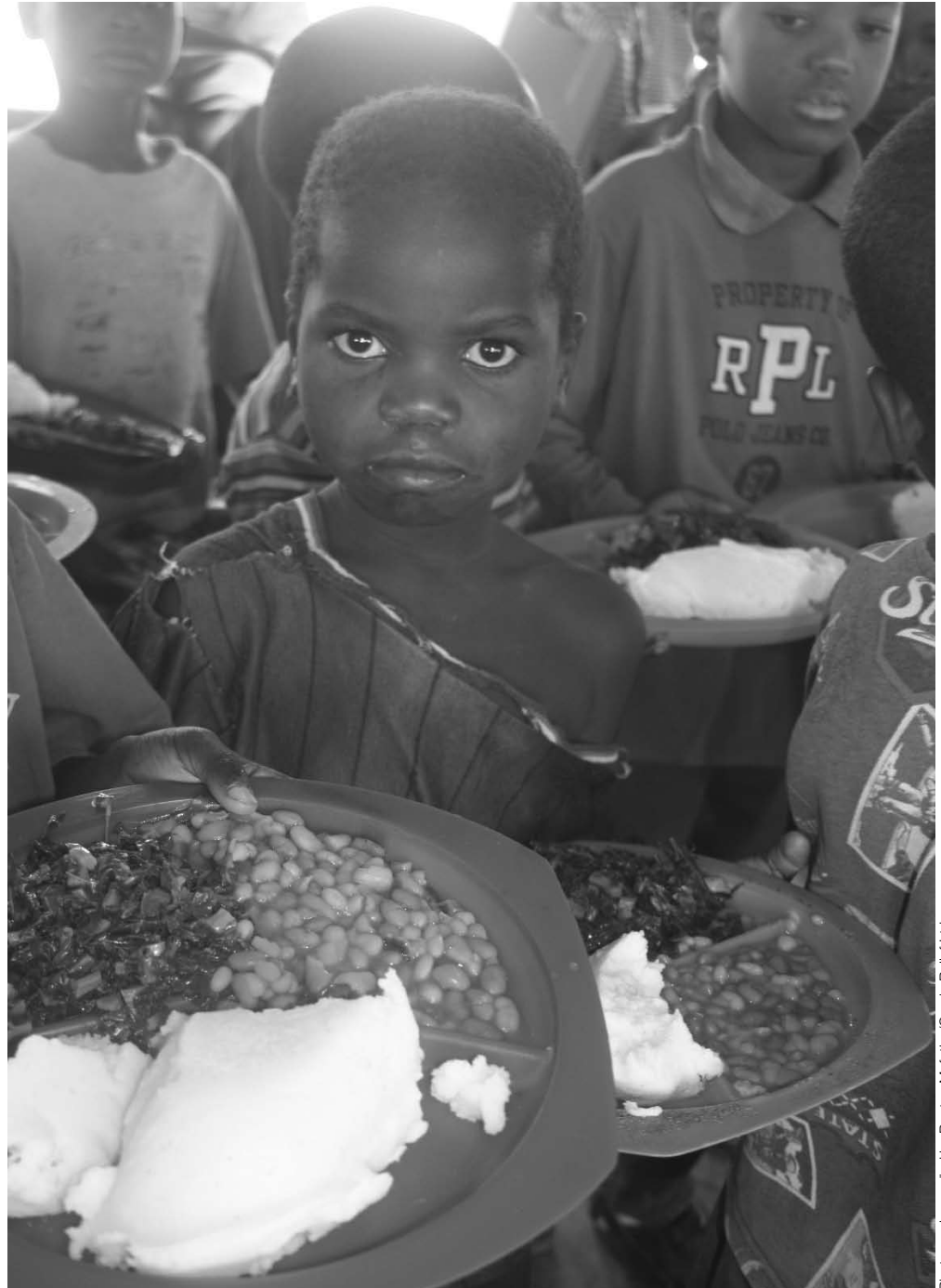
A note on terminology

The international development field is riddled with jargon. Wherever possible, this report avoids it. However, depending on the data source, organisations in the non-profit world are variously referred to as civil society organisations (CSOs), non-governmental organisations (NGOs), non-profit organisations (NPOs) and charities.

This report informs a wider project that could lead to the development of services that increase the quantity and quality of giving by wealthy individuals to charities in developing countries.

Civil society is a broader concept than either of the latter terms. It refers to the area outside of both the state and the commercial private sector. It includes not-for-profit, non-state bodies ranging from sports clubs and professional associations to trade unions, hospitals and charities.

The glossary provides explanations of these and other terms and acronyms used throughout the report.



Photograph supplied by Pontso Mafethe/Comic Relief Ltd

International giving

Individuals around the world represent an important source of funds for charities in developing countries: philanthropy accounts for some 16% of civil society income. This is not purely north-south giving; giving within and between developing countries is also growing.

UK donors give over £1bn to organisations operating overseas each year. They do this for a variety of reasons, including the obvious need in poorer countries and the ability to make a difference with relatively small amounts.

Giving across borders has its challenges including limited information and issues of trust and transparency. Donors tend to overcome these by giving to organisations where they have a personal connection.

Individual giving

Polls suggest that a majority of people in richer countries have voluntarily donated to poorer countries at some point. Furthermore, over the past 20 years such contributions have been on the increase.³⁵

People in the UK contribute over £1bn to charities working in developing countries each year (13% of total individual giving).³⁶ Their US-based counterparts contribute over \$14bn to overseas causes each year (just over 7% of total individual giving).³⁷ Interestingly, donors who give £100 or more to charities in an average month are twice as likely as the average donor (who gives £183.36 per annum) to give overseas.³⁶

Compared to total official government aid to developing countries of over \$105bn,³⁸ private funding may appear small. However, philanthropy is a larger source of revenue for developing country CSOs than official government aid from developed countries (Figure 1 illustrates this point with figures from the UK).

Only 1% of all official bilateral government aid goes directly to NGOs.³⁹ (Calculations using broader definitions that include US and multilateral aid put aid-funded activities of NGOs much higher at up to 30% of total official aid.)³⁵ Just over 6% of the UK's Department for International Development's (DFID) spending goes to CSOs.⁴⁰

Across 32 countries, a full 12% of civil society income comes from philanthropy, with this number rising to 16% in developing and transitional countries.⁴¹ It is often this portion of income that 'buys' charities their freedom from government and the flexibility to take risks and try new approaches.

Diaspora

People from developing countries who live overseas represent a significant source of funds for their countries of origin. The largest flows from them are remittances to family. However, philanthropy is becoming an increasingly important source of funds.

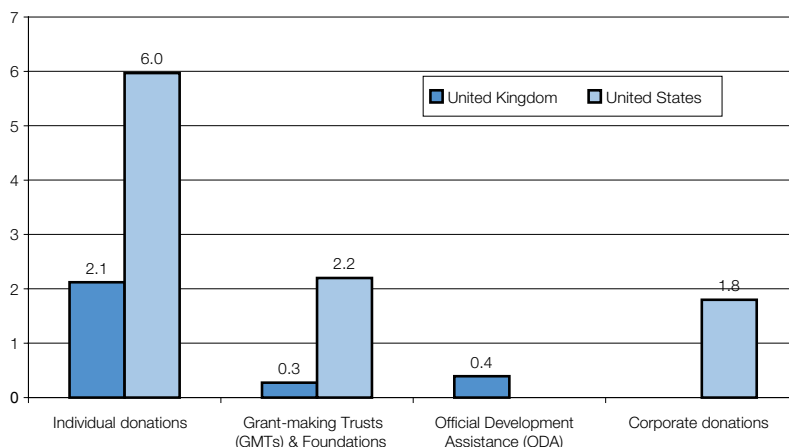
Remittances

Remittances are sums of money that migrants send back to their countries of origin. At \$167bn in 2005,⁴² the value of remittances to developing countries has surpassed official development assistance (ODA) and is second only to private capital flows in terms of inflows to developing countries (see Figure 2).⁴³ In countries such as Jamaica, Lesotho and Lebanon, remittances represent over 20% of Gross Domestic Product (GDP) and in Haiti and Tonga the contribution is over 30%.⁴²

Despite the prominence given to remittances from developed countries, remittances between developing countries comprise 30-45% of total remittances received by developing countries. Over half of migrants from developing countries migrate to other developing countries.⁴²

16% of civil society income in developing countries comes from philanthropy.

Figure 1: Flow of funds to NGOs working in developing countries (US\$bn 2005)



*Developing countries included in the study: Argentina, Brazil, Pakistan, Peru, Colombia, Egypt, Kenya, Philippines, South Africa, South Korea, Mexico, Morocco, Tanzania, Uganda. Transitional countries included in the study: Czech Republic, Romania, Hungary, Poland, Slovakia.

In Guatemala, remittances may have reduced the severity of poverty by 20%.

Over £2.3bn was sent from the UK in the form of remittances in 2004.⁴³ There are approximately 2.7 million 'core' remittance senders in the UK (primarily measured as those born outside of the UK).⁴³ The largest of these groups are Indians (over 400,000 Indian-born residents), Pakistanis (over 300,000), other people from the Far East (around 270,000) and Eastern Europeans (250,000).⁴³

The link between remittances and growth is unclear. Less so the link between remittances and poverty reduction. Remittances directly increase the income of the recipient and can help to improve household consumption, especially in the face of adverse events, such as crop failure or a health crisis. They are also important sources of savings and capital and appear to be associated with increased investments in education, entrepreneurship and health.⁴² In Guatemala, remittances may have reduced the severity of poverty by 20%.⁴²

The sums and benefits are vast. But so are the problems. Most pressing, the price of remittance transactions is high. To address this, governments could facilitate improved access of poor migrants to formal financial services, and promote competition in the remittance transfer market.⁴² The UK's DFID has put in place a programme to remove barriers to the flow of money transfers, lower their costs and make access to money transfer products easier for people living on a low income.⁴³

As migration is set to increase, reducing fees and other barriers to remittances could significantly help to alleviate poverty in some of the world's poorest countries.

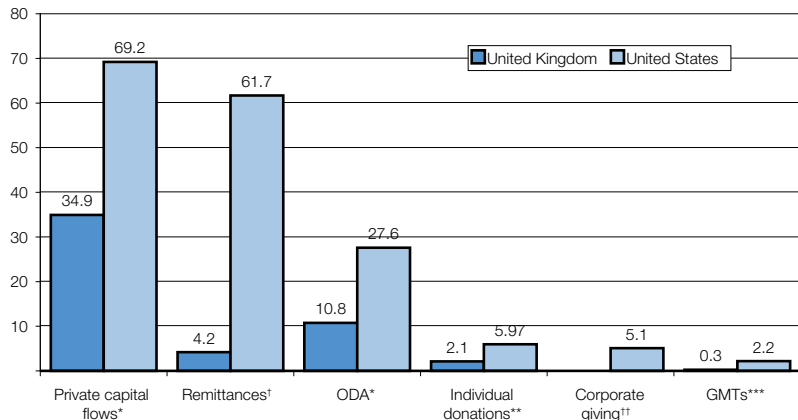
Philanthropy

Data on diaspora donations to individuals, groups and charities in their countries of origin is scarce. A survey of 150 Indians in Washington State in the US found that the average Indian living in America gives \$300 each year to social causes in India.⁴⁴ If this were true of even half of the 1.7 million Indians in the US, social causes would be receiving over \$250m from Indian migrants in the US alone. Data from the Central Bank of the Philippines showed that, in 2003, remittances sent as donations were \$218m, in addition to remittances of \$7.6bn for the same year.⁴⁵

Data aside, the growing number of intermediaries facilitating diaspora philanthropy in the US and the UK suggests that the amounts are significant and that diaspora need assistance. Charities Aid Foundation (CAF) UK is targeting Russians living in London and has developed products for South Africans and Indians too. The Asian Foundation for Philanthropy, Give2Asia, Ayala Foundation, America India Foundation, Connect for Change and GiveIndia all provide mechanisms for those living abroad to give to charities in Asia. Professional associations such as the American Association of Physicians of Indian Origin (with some 57,000 members)⁴⁶ are also increasingly facilitating philanthropy to countries of origin.

Unlike the bulk of remittances, those in the form of charitable donations are often targeted at poverty alleviation or disaster relief and thus have a greater potential impact on equity.⁴⁷ Interestingly, faith-based tradition and a distrust of non-profit institutions create a strong desire among diaspora to give directly to individuals.⁴⁷ Although some diaspora support warring parties and warlords, or groups that contribute to socio-economic differentiation, on balance the impact of their donations is positive.⁴⁸

Figure 2: Flows of funds from US & UK to developing countries (US\$bn 2005^a)



^a Exchange rate of £1 = US\$1.83 (average for calendar year 2005) from www.xe.com.

Notes:

*Figures for US and UK ODA and Private Capital Flows are from OECD Journal on Development: Development Co-operation - 2006 Report - Efforts and Policies of the Members of the Development Assistance Committee Volume 8 Issue 1, <http://puck.sourceoecd.org/vl=35633044/cl=17/nw=1/rpsv/dac/>. Private capital flows consist of private short- and long-term debt and non-debt flows (it is a broad definition that includes, but is not limited to, foreign direct investment).

**UK figures for individual giving from CAF (2006) UK Giving 2005/06; US figures from GivingUSA Foundation (2006) *Giving USA 2006* (total US individual giving \$199.07bn) and CAF *International Comparisons of Charitable Giving* (3% of US donors give to overseas causes).

***UK figures for GMT overseas giving from CAF (2007) *Grantmaking by UK Trusts and Charities*; US figures are from Hudson Institute (2007) *Index of Global Philanthropy 2007* (the Foundation Centre (2006) *International Grantmaking Update 2006* estimates that this figure could be as high as \$3.8bn).

†UK remittance figure is an estimate from DFID, UK Working Group on Remittances (2005) *UK Remittance Market*; US figures are from Hudson Institute, *ibid*.

††US figure for corporate giving is from Hudson Institute, *ibid*; UK figure not available.



‘Why do I give to Southern Africa? Because they need it most.’

Donor

Photograph supplied by Justin Canning/Comic Relief Ltd

Reasons for international giving

UK-based individuals

The primary motive for giving to causes in poorer countries is the belief that there is a moral obligation to help those who are less fortunate.³⁵ Charles Handy, the influential management guru, notes that new philanthropists may give for a variety of reasons—spiritual, religious, out of a sense of social responsibility, or simply out of a desire to help.⁴⁹ In a survey of ultra high net worth individuals, 90% of the sample give because of their experience of a particular issue or for historic reasons. Maintaining the family legacy, the desire to give back to the community, the capacity and wish to see change and disillusionment with government all motivate donors to give.⁵⁰

‘... [Philanthropy] is like a drug. The more I do the more I want to do.’⁵⁰

NPC met individually with 19 philanthropists and had group meetings with an additional eight donors. The motivations for giving to developing countries were explored and found to include:

- **Passion:** a number of donors were passionate about a theme or a country and this led them to give abroad.
- **Need:** many donors gave overseas because the need is so much greater than at home.
- **Value for money:** the ability to make a difference with even modest amounts was an important driver of international giving.
- **Affiliation with a country:** a few donors mentioned that their business links with a

country had led to them giving to projects in the country. Also, migrants in the UK interviewed by NPC all gave to their countries of origin.

- **Global issues:** some donors mentioned that, in an increasingly global world, countries, people and issues are intertwined and support needs to reflect this.

UK-based grant-making trusts

NPC recently completed a study on UK grant-makers' involvement in funding international development (*Going global: A review of international development funding by UK trusts and foundations*).⁵¹ Historic giving and trustees were found to be the most important motivations for international giving in at least two-thirds of cases.⁵¹ In these cases, funding had been initiated by an international link—either an individual founder's personal interest or connections, or the historical operations of a business overseas.

Some foundations had decided to fund internationally, independently of their history. In these cases two reasons were prevalent—a desire to respond to the need, and trustee interest or expertise in a particular area of international development.

Other reasons given for funding international development included: the moral imperative to respond to the scale of need; the ability to make a real difference in people's lives, especially because money goes further in developing countries; and a growing awareness of interconnectedness and global citizenship.

Barriers to international giving

UK-based individuals

Although the majority of donors NPC interviewed did give to international causes, a number did not. And even those who did acknowledged significant barriers to such giving:

- **Complexity:** the scale of the issues and difficulty in determining how to help overwhelmed some donors. Language differences, time and distance gaps, unfamiliar cultural perspectives, multiple legal systems and disparate accounting practices all compound the complexity of giving internationally.
- **Time:** many donors simply respond to requests for funds (largely coming from UK-based organisations) due to a lack of time. A number of donors expressed a wish to spend much more time on giving in a structured way after they retired.

- **Information:** respondents attempting to be proactive claimed to have great difficulty in getting information about good organisations in developing countries. A number of donors expressed the sentiment that they would not know where to start.
- **Trust:** this issue was seen as a major barrier. The majority of respondents expressed concern that their money would not be put to the intended use and that they would have little power to act. Donors use various mechanisms to get around this: giving through people they know or through trusted institutions, such as the religious institutions; giving to UK-based organisations that they trust; visiting organisations and testing with pilot grants. Personal networks may limit the scope of international philanthropy. Feedback is key to trust: for many donors, seeing the difference their money makes helps to develop trust.
- **Transparency:** related to the two points above is the lack of transparency that donors face in the non-profit sector. For some, the difficulty they had faced in getting good information on the grants they had made restricted further giving.
- **Country problems:** perceived issues include corruption, conflict, a lack of infrastructure and management skills, and problematic governments.

UK-based grant-making trusts

The findings of NPC's study on grant-making trusts (GMTs) were broadly consistent with those of the survey of individual donors. Again history and trustees played a more important role in the decision not to give internationally.

Several GMTs had considered the possibility of international funding, but were overwhelmed by the size of the issue, and their apparent inability to make a difference. Lack of enthusiasm from trustees was also a common problem—often because trustees thought that the GMT should focus on issues affecting the UK rather than international causes.

The practicalities of funding internationally also discouraged GMTs. A common concern was that international funding is too risky—that it is hard to ensure that money does not go astray and to identify the impact that it has.

Other issues were that GMTs did not know how to go about funding internationally, or that they did not have the necessary resources and expertise.

“There is more need overseas. Poverty and health issues are more extreme.”

Donor

Growing within developing countries

As the income of developing countries increases and reforms lead to an easing of restrictions on non-profit activity, home-grown philanthropists are emerging. The past decade has seen a rapid growth in indigenous organised philanthropy in developing countries.⁵² The following figures illustrate the growing importance of local philanthropy:

- Foreign contributions—both public and private—account for only 29% of total civil society revenues in **India** (around \$1.15bn of \$4bn in 2004).⁵³ Of this, US contributions are the largest at \$340m, with the UK and Germany each contributing around \$150m.⁵³
- Almost one third of internal civil society revenues (just under \$1bn) come from individuals in India.⁵⁴
- Less than 2% of Indian charities (23,000) were registered to receive foreign donations in 2001.⁵⁵ By 2006 this number was estimated to be 45,000.⁵⁶
- Private international giving in 1998 accounted for just 4% of **South African** civil society revenues, rising to 8% when ODA estimates are included.⁵⁷ The five-year US President's Emergency Plan For AIDS Relief (PEPFAR) has increased this latter figure through its funding: \$89m in 2004, \$148m in 2005 and \$222m in 2006 for HIV and AIDS programmes in South Africa (government and civil society).⁵⁸
- In **Russia**, where ten years ago there were no private foundations and overall domestic giving was around \$100m, there were over 20 private foundations by the end of 2006. The largest of them, the Volnoe Delo Foundation, made grants of over \$36m in 2006.⁵⁹
- In **China** in 2003/04, a single businessman, Huang Rulun, donated \$350m, mainly to education, poverty elimination and health care. A further 50 Chinese philanthropists donated over \$160m in the same period.⁵⁹

Corporate philanthropy in developing countries is also on the increase: the top 30 Russian companies spend over \$2bn a year on community needs—representing an astonishing 17% of pre-tax profits.⁵⁹ And in South Africa, the rise of Corporate Social Investment (CSI) meant that in 1998 the private sector contributed over 20% of civil society revenues.⁵⁷ By 2006 companies in South Africa contributed over \$400m (R2.88bn) to social causes.⁶⁰ For listed companies, this represented 0.9% of post-tax profits, well below the government's compliance target of 1.5%.⁶⁰



Photograph supplied by Nicola Dove of Eyebox/Comic Relief Ltd

Trends in private philanthropy

There are almost 700 billionaires in the world (more than half of whom live outside the US) and over eight million millionaires, an increase of over 15% in less than ten years.⁶¹ Ten years ago 75% of those on the UK's *Sunday Times* Rich List had inherited their wealth. Today, over 75% have made their own wealth.⁴⁹

With the growth of extreme levels of self-made wealth, and the philanthropy that this is generating, the talk is of new philanthropists, philanthrocapitalists and venture philanthropy. Whatever the term used, a number of key trends are emerging. These trends apply to domestic as well as international giving.

Giving while living

Rather than leaving endowments and legacies, an increasing number of donors want to see the change they are striving for in their lifetime. Following Carnegie's philosophy, many are dedicating increasing amounts of time to their philanthropic activities at a younger age.

The best-known examples of this trend are Bill Gates (of Microsoft), Jeff Skoll and Pierre Omidyar (both of eBay), who have all started giving at a young age. In 2002 the Atlantic Philanthropies, founded by Charles Feeney (co-founder of Duty Free Shops), decided to spend its endowment of almost \$4bn by 2020. Closer to home, in 2005 Lord Sainsbury announced that he intends to give away £1bn during his lifetime.

Higher levels of engagement

Often donors have resources beyond simply money. Many have skills, contacts and influence that can help a charity or charitable cause. Others want to bring business approaches and know-how to the non-profit world.

A single Chinese philanthropist donated \$350m to education, poverty elimination and health care in China in 2004.

“The man who dies ... rich dies disgraced.”

Andrew Carnegie⁶

Sometimes it is simply visiting the charity; other times it is coaching members of the management team or providing contacts to help with marketing or financial questions; some grant-makers influence policy-makers because they have access that grant-holders could not have; and in the extreme, venture philanthropists act like investors, taking a seat on the board of trustees.

A focus on results

*'Philanthropy is like business ... I want to know my money is doing something positive.'*⁵⁰

Because demand from charities for resources outstrips supply, donors need to make choices about which charities to support. One way to make those choices is to compare the charities' impact. The last ten years have seen donors (and charities) increasingly interested in measuring impact. The rise of 'venture philanthropy'—driven by money from the dot.com boom and bringing disciplines from venture capital—has contributed significantly to this.

In a recent survey of 34 ultra high net worth individuals and their family offices, measuring the success of philanthropy was important to the entire sample. Only two interviewees donated without any due diligence or feedback processes.⁵⁰

A number of tools have been developed for measuring and comparing the effectiveness of charities—often much more complicated than measuring the effectiveness of companies at generating a financial return. The tools include Social Return On Investment (SROI), to measure the social impact of funds 'invested' in a charity, and NPC's own work assessing charities (see Box 1).

The introduction of metrics to the philanthropic world has been criticised by some for the same controversial reason as in the commercial world: short-termism. Most significantly, tackling environmental problems and climate change does not lend itself to short- or medium-term measures.⁶² This appears to be backed up by the ultra high net worth sample group, who were predominantly focused on project impact. They wanted to see tangible outcomes to their philanthropic endeavours and ranked quantitative metrics highly.⁵⁰

Backing whole organisations for the long term

Many donors are moving away from the traditional approach of funding individual projects within organisations. Instead, they are supporting the organisation as a whole. This empowers the leadership of the charity to be more flexible and responsive to needs and opportunities as they arise. It is also rather investor-like, in that it places more emphasis on the strength of the organisation's leadership and its results.

Box 1: Tools for measuring social impact

Social impact can be measured in two main dimensions: changes to the well-being of individuals, communities and environments; and changes to the economic situation in a particular country or location.

A number of tools have been developed to measure each of these dimensions. No standard yet exists. Diverse approaches include:

The **Social Return on Investment (SROI)** measure was developed by Jed Emerson and the Roberts Enterprise Development Fund to capture the economic value of social benefits. An SROI ratio is a financial measure of the social value that has been created (generally public sector savings or gains), compared to the investment required to achieve that impact.

The Acumen Fund has developed the **Best Available Charitable Option (BACO)** method to assess its investments in social businesses. It compares the social output and cost-effectiveness of an investment in a social business to that of a charity providing similar goods and services.

Save the Children has developed a **Household Economy Approach (HEA)**, which considers the income, expenditure and assets of households and compares baseline figures to those under differing conditions.

NPC measures the results of charities by considering the **depth, breadth and change** of the impact. These reflect how many people have been impacted, the degree to which their lives have changed and whether the underlying causes of the problems have been addressed.

More information on tools for measuring social impact can be found on NPC's Tools website at www.npctools.org.uk, at the new economics foundation's (nef's) website at www.proveandimprove.org and in Appendix 3 of NPC's *Funding success* report, available at www.philanthropycapital.org.

Supporting enterprises

Supporting charities is only one way to achieve social change. Donors are increasingly flexible about the type of organisations they want to work with to achieve their goals. Many are turning to markets and enterprises because of a widely-held view that aid has not worked. Support can be directed to social enterprises themselves or, more broadly, to creating an enabling environment for small- and medium-sized enterprises (SMEs) to flourish.

Social enterprises are businesses that make a positive social or environmental impact through the way they operate and/or their products. They include renewable energy companies, fair trade businesses, organic companies, microfinance enterprises as well as businesses that employ disabled or disadvantaged people. These companies typically do not need grant capital, but rather equity or loan investment that takes account of their social/environmental—as well as financial—objectives.

Direct action

Some individuals are successful at creating impact through their own activities without supporting charities or other organisations at all. Bono's campaigning for debt relief or Al Gore's film raising awareness about climate change are high profile examples of this.

New Russian philanthropists generally prefer to conceive and implement their own ideas, establishing permanent operating institutions instead of grant-making foundations.⁶⁹

Similarly, the 24 philanthropists profiled by Charles Handy were all directly involved in creating the change they envisioned, either by setting up new organisations or by supporting people with similar visions to their own.⁴⁹



Photograph supplied by Justin Canning/Comic Relief Ltd

Why give internationally 2

Giving to international causes can make a positive difference in many people's lives. The Bill & Melinda Gates Foundation funded the Global Alliance for Vaccines and Immunisations to reach an additional 115 million children in developing countries, thus helping to prevent 1.7 million deaths. On a smaller scale a gift of £50—which will buy a couple of textbooks in the UK—can fund a year of secondary education for a child in Tanzania.

Philanthropy represents a tiny sum in comparison to the amount of official government aid given to developing countries. However, it has advantages over aid including independence, flexibility and the ability to fund risky ventures and longer term goals. In many cases, philanthropic money is able to work alongside official aid.

Some people question the effectiveness of both government aid and philanthropy. They argue that neither route appears to have contributed to growth and poverty alleviation at a country level. According to them, economic empowerment and enterprise are the drivers for growth.

Whatever your ideology there are effective charities improving the lives of poor people in developing countries. The difficulty is in identifying them.

Philanthropy can achieve great results . . .

Philanthropy can achieve great things—both at home and abroad. In the UK philanthropists provided housing, healthcare and education for the poor long before the state got involved. They also funded the campaign that led to the abolition of the slave trade.⁶³

More recently, philanthropy has supported campaigning for human rights and green issues—both of which have made substantial headway. By 1969 Amnesty International's campaigns had directly contributed to the release of 2,000 prisoners of conscience.⁶⁴ Today the Business & Human Rights Resource Centre holds over 2,000 corporates to account. And philanthropy continues to save lives by supporting famine relief and humanitarian work around the world.

Public opinion surveys have consistently ranked aid through NGOs as more effective than official aid.⁶⁵ But have years of philanthropy made any difference to the majority of those living in poverty?

... although there is little evidence

It is possible to identify the results of effective philanthropy for most issues and countries. As with official aid, at a micro level many organisations and projects improve the lives of people living in developing countries. Analysis at this level shows that the large majority of NGO projects meet their immediate objectives.⁶⁵ Most studies have difficulty drawing firm conclusions about the longer term impact, or suggest a small positive long-term impact.⁶⁵



Photograph supplied by Des Willie/Comic Relief Ltd

Despite a growing number of project evaluations, there is virtually no systemic evaluation of the impact of NGOs, which are facing some of the same incentives as official agencies to emphasise observable effort rather than focus on less observable results.⁶⁵ Any information on results that is publicly shared is heavily biased towards success stories. As Roger Riddell notes in his recent book, *Does Foreign Aid Really Work?*, 'regrettably, there has always been and remains to this day an almost complete absence of data and information with which to assess the wider and systemic impact of NGO development interventions and activities'.⁶⁵

Some observers note that, despite years of philanthropy, the situation in many countries is the same, if not worse, than it was 40 years ago. According to Mark Kramer, Managing Director of FSG Social Impact Advisors: ‘Traditional philanthropy is not working. Lots of money, time and people have been devoted to subjects like welfare and the environment, but the problems are the same or worse.’²⁶

In his latest book, Paul Collier, the Director of the Centre for the Study of African Economies at Oxford University, suggests that the ‘bottom billion’ living in 58 failing countries need: military intervention to quell conflict; laws, statutes and charters to improve governance; and trade preferences.⁶⁶ Not aid or philanthropy. Or at least not alone.

While it may be true that growth and poverty in some countries has worsened, it is also true that giving has saved lives. Without philanthropy the situation could well be worse with many more people dying or living in extreme poverty. And the wonderful results of some organisations cannot be ignored. The role of these CSOs, and of philanthropy to them, is explored in the following sections.

How civil society helps

Civil society, the broad area outside of the state and for-profit arenas, is a significant global force. Across 35 countries it had aggregate expenditures of \$1.3 trillion in the late 1990s, with religious congregations included. This represented over 5% of the combined GDP of these countries.⁴¹ And philanthropic money is key to the success of the sector: across 32 countries, a full 12% of civil society income comes from philanthropy, with this number rising to 16% in developing and transitional countries.⁴¹

Internationally, non-profit organisations can mobilise and build public awareness and share best practices and technical expertise with governments. They are also major contributors to humanitarian and disaster relief.

At a local level, CSOs contribute to development in at least four ways: publicly advocating for addressing development issues; helping design strategies to address local and global issues; delivering services; and monitoring and evaluating efforts to address issues.⁶⁷

Box 2: Make Poverty History²

In January 2005 a campaign was organised in the UK by a coalition of schools, faith groups, trade unions, international development and aid organisations and grassroots campaigners. They believed that through mass public action it would be possible to bring about a rethink of the rules of the relationship between the poor and the rich world. The coalition quickly grew to include more than 540 organisations. After just six months, 87% of the UK population had heard about the campaign.

Mass action ensued. Over three million children asked then Prime Minister Tony Blair to urge the G8 leaders to ‘Send My Friend to School’. Over 500,000 people contacted the Prime Minister with requests for change. Eight million people in the UK wore a white band and a quarter of a million people marched in Edinburgh ahead of the arrival of the G8 leaders—over half joining a protest for the first time. Ahead of the World Trade Organisation (WTO) meeting, 375 MPs were lobbied in a single day in the largest ever mass lobby of parliament and over 750,000 people in the UK cast a Vote for Trade Justice to show their support for change.

The UK campaign was part of a broader global movement: an amazing 31 million people from 84 national coalitions around the world united in the Global Call to Action against Poverty.

The level of public support and lobbying was influential in placing poverty and injustice on the global agenda. A number of important principles and policies were subsequently agreed in 2005:

- The international acceptance of the principle of 100% multilateral debt cancellation.
- The commitment to no longer make UK bilateral aid conditional on recipient governments making specific economic policy decisions.
- The 2005 G8 summit signalled an extra \$48 billion a year of aid by 2010, which included between \$15 and \$20 billion of new commitments.
- Support for as close as possible to universal access to treatment for HIV and AIDS for all who need it by 2010.



Photograph supplied by Nicola Dove of Eyebox/Comic Relief Ltd

Advocacy

Advocacy within developing countries can play a crucial role in getting governments to recognise and address issues. In Malawi, the Civil Society Coalition for Quality Basic Education has advocated for including important education-related expenditures, such as teacher training and welfare expenditures, in the national poverty reduction strategy. The Treatment Action Campaign (TAC) in South Africa has tirelessly advocated for universal access to HIV and AIDS treatment. It has been instrumental in the government's roll out of mother-to-child transmission prevention and antiretroviral treatment programmes.

National advocacy is also crucial in developed countries. The Jubilee 2000 Campaign, and its successor, the Jubilee Debt Campaign, put debt forgiveness for poor countries on the agenda of international development policy discourse. In 2005, the Make Poverty History campaign did the same for poverty and global economic injustice (see Box 2).

Contributing to policy design

Many charities work with governments to design policies on a range of social, economic and environmental issues. Furthermore, working with people on the ground, they are often the ones that facilitate the input of affected individuals into policy design. Law and Advocacy for Women in Uganda is, for example, advancing policies to address female genital mutilation, women's land rights, and reproductive rights.

Delivering services

In some countries CSOs deliver a significant portion of basic health and education services, including more than 50% in Haiti.³⁵ Similarly, in Ghana, Zimbabwe and Kenya, around 40% of all health care is provided by CSOs.⁶⁸ In Bangladesh, the Bangladesh Rural Advancement Committee (BRAC) provides basic health services to over 97 million people out of a population of 143 million.³⁵

Charities can help to scale up service delivery in four main ways: engaging local communities, building human capacity, strengthening local governance, and leading implementation and service delivery.

This last point is increasingly important in 'fragile' countries where donors are not comfortable or able to fund incumbent governments. Riddell suggests that the view of NGOs as a means of bypassing governments has always existed in the field of emergency aid, but is now becoming more widespread in the delivery of development aid.³⁵ As a result, many NGOs are scaling up their programmes by expanding into new areas and services.



Photograph supplied by Justin Canning/Comic Relief Ltd

Community engagement

Often charities are close to the people in a community. They can assist governments and international NGOs in working with communities to deliver products and services that the community needs, wants and understands.

The Orangi Pilot Project in Pakistan, for example, is held up as a model arrangement between the local community, the government, and a local CSO to provide improved sanitation services. It has been replicated in settlements across Pakistan. The Hunger Project, an international NGO, has implemented a low-cost strategy to mobilise local people to address hunger in rural African communities.

Building human capacity

CSOs can train teachers, community workers and health workers. BRAC, for example, has been training female community health workers in Bangladesh since the 1970s. By 2003 it had trained more than 30,000 health workers in almost as many villages. It provides foundation training and regular refresher training in dealing with common illnesses, such as diarrhoea and dysentery, and improving maternal health. The health workers also provide skilled services, such as administering therapy to combat tuberculosis.

In another example, the Association of Senegalese Women Lawyers has been training paralegal workers for 30 years to address violence against women through legal channels, winning a tremendous number of cases, including those for land claims.

Strengthening local governance

The Movement for Alternatives and Youth Awareness in Karnataka, India, has strengthened institutions of local self-governance to improve school effectiveness. It has facilitated citizens' effort to evaluate and improve school performance through existing local government structures. More than 1,000 councils have been formed in the past five years, with increased community participation and improved infrastructure for schools.

Similarly, the Pamoja Trust, a Kenyan NGO, and the urban poor federation in Kenya (Muungano wa Wanvijiji) have built the capacity of local communities to engage with local authorities and municipalities for land and infrastructure to improve the lives of slum dwellers.

Innovating service delivery

Non-profit organisations often innovate with delivery models that governments or businesses can replicate on a larger scale if successful. The Grameen Bank, for instance, has famously helped to provide microcredit loans for millions of Bangladeshis, most of them women, contributing to gender equality and small enterprise development at the community level. The World Bank is currently funding innovative uses of mobile phone technology in the hope that business will take it on (see Box 3).

Box 3: Mobile phones as banks⁴

There is a growing trend within the international development sector to apply technology and know-how to problems in developing countries. A good example is the use of mobile phones for financial services. In countries where bank accounts are rare, but mobile phones are increasingly ubiquitous, using phones for financial services could provide an accessible and affordable solution for millions.

The World Bank's Consultative Group to Assist the Poor (CGAP), together with the Bill & Melinda Gates Foundation, launched a \$26m programme in January 2007 to fund 20 to 30 pilots in 15 to 20 countries, each lasting two to three years. Nine projects have already been selected and will test cell phone banking, cash machines, card readers and other technologies in Kenya, South Africa, the Philippines, Pakistan, Colombia, Mexico, the Maldives, and Mongolia.

It is hoped the projects will develop breakthrough models and prove the business case so that banks and other commercial firms can develop the market.



Photograph supplied by Nick David/Comic Relief Ltd

Philanthropic sources (individuals, foundations and corporates) contributed 12% of civil society revenues in the late 1990s.

Others have often been pioneers in addressing issues that governments deem too sensitive to address publicly or directly, and in many countries they have emerged as a first line of defence in addressing HIV and AIDS. In Thailand, charities have led in providing treatment and care to marginalised populations, such as drug users, sex workers, and migrants who are, in turn, reluctant to deal with government officials. And in Haiti, Partners in Health has helped prove that poor people with AIDS can adhere to antiretroviral treatment protocols.

Spreading knowledge

A number of issue-specific networks have emerged to share knowledge about what works and best practice approaches. Shack Dwellers International, for example, is a charity that supports international community-exchanges, linking organisations of the urban poor in different countries. It also visits nations where federations have not yet developed or are only in early stages of development to help countries improve the lives of slum dwellers.

Many international NGOs (INGOs) that operate across countries see the spreading of knowledge as a core part of their remit—both across their own country organisations and more widely with governments and other international development players.

Monitoring for accountability

Charities and other CSOs can hold government to account and monitor policy versus practice. They can highlight regions where progress is slow and provide real-time feedback to the general public on progress. For example, women's groups in Chile, Ecuador and Paraguay are constructing quantitative indicators to assess how their governments are fulfilling commitments to women.

The part played by philanthropic money

Governments in developing countries are hard pressed to meet basic needs and to perform basic functions and will never have the resources to fully meet the needs of their most disadvantaged citizens.⁵² Furthermore, there are a number of global issues that fall outside of any one nation state's responsibility (eg, the environment). Philanthropic money of all types (individual, foundation and corporate) plays an important role in addressing these issues. It accounted for 12% of civil society revenues across 32 countries in the late 1990s.⁴¹ It was the dominant source of income in two areas: religion and international assistance.

If development is driven by the market and the state, then the role of philanthropy will necessarily be modest. Research and advocacy will have the greatest leverage on the actions of the main players (although with uncertain results). Philanthropists can contribute to the development process by supporting individuals and organisations to campaign, innovate and strengthen government and market provision.

An alternative view is that development is a process of change that is driven by people and communities, as well as by the market and the state. Here, the role of philanthropy is a different one: to strengthen civil society.⁶⁹ The Ford, Mott and Kellogg foundations, for example, have taken this view and have sizable civil society programmes across the developing world. Closer to home the Carnegie UK Trust focuses on strengthening democracy and civil society in the UK.

Independent of one's view of development, there are certain characteristics that differentiate philanthropic spending from government funding. Philanthropists are able to use their resources to be innovative, act quickly and take risks and these attributes are the key to philanthropic success.⁶³ One of NPC's clients added 'patience' to these characteristics, explaining that she is willing to fund an organisation for 15 years or more, thereby providing stability to the organisation and building up an excellent statistical base for analysing results.

Innovation

As highlighted above, innovation is a key role of CSOs. Philanthropists have a strong track record in identifying new needs, proposing new solutions to old problems and supporting innovative individuals and organisations. For example, the Children's Investment Fund Foundation (CIFF) prodded and funded the Clinton Foundation HIV/AIDS Initiative (CHAI) to fill the gap for paediatric antiretrovirals (ARVs). CIFF underwrote the initial guarantee of doses for 10,000 children and funded the early training and infrastructure needs. According to an internal CIFF document, by June 2007, CHAI supported 144,000 children in 33 countries—a huge increase from only two years before when children were rarely treated.²⁰⁷

Many funders choose to focus on this attribute of philanthropy. The MacArthur Foundation, for example, distributes 'Genius Awards', through which non-profit organisations around the world with budgets under \$2.5m are awarded up to \$500,000 for their innovation in addressing local and global challenges.

The focus on innovation is not without its problems. It can discourage longer term funding and the measurement of results. And with lots of donors wanting to fund innovation many successful, established organisations battle to raise funds. Like the commercial world, the non-profit sector needs risk-taking donors who are willing to accept failure. But it also needs a higher proportion of funders willing to fund proven success.

Speed

Unlike public spending, which is often mired in politics and dependent on electoral cycles, philanthropists can react flexibly and quickly. For example, voluntary organisations were the first to provide treatment and services for people with HIV and AIDS in South Africa. After many years the government has yet to catch up.

Risk taking

With no public accountability, and in some cases anonymity, philanthropists can take risks on unproven models. For many NGOs government sources fund established programmes with proven results whilst philanthropic money supports new services, models or geographies.

Philanthropists can also support religious, political and unpopular groups such as sex workers, asylum seekers and prisoners.

Is government aid effective?

Philanthropy represents a small sum compared to government aid. Although innovation, speed and risk taking may distinguish philanthropy from aid, it is worth considering whether aid is effective and what lessons can be learnt from how aid is applied.

Much-cited aid success stories include the growth of South Korea and Taiwan as well as the elimination of smallpox and near elimination of river blindness. However, while poverty is falling on a global scale, much of the decline is occurring in China and India, both of which receive relatively little government aid. Recipient countries receiving a larger portion of aid (relative to their total income) generally show no change—or even an increase—in poverty levels. So is aid working?

The evidence about the effectiveness of aid is unclear and ambiguous. Much of the rhetoric is not—vocal critics such as William Easterly claim—that aid has failed because it imposes plans from the top with little accountability or feedback.⁷⁰ ActionAid claims that more than 60% of official aid is 'phantom' ie, it does not constitute a real transfer to the recipient (this includes debt relief, technical assistance, spend on immigration services in the donor country and money tied to goods and services from the donor country).⁷¹

Most empirical studies have analysed the link between aid and growth. A meta-study of 97 different studies on the impact of aid on growth concluded that, at best, there appears to be a small positive, but insignificant, impact.⁷² The same study showed a downward trend in results; as the availability of data increases, the evidence of aid effectiveness declines. It also concluded that aid is more effective in Asia and Latin American than in sub-Saharan Africa, where development is most needed.

The best aggregate estimate is that, since it first started in the early 1960s, aid has increased the standard of living in poor countries by 20%. This, however, is based on insignificant evidence.⁷² By way of comparison, both China and India have increased their GDPs by well over 100% in the past ten years alone.⁷²



Photograph supplied by Nick David/Comic Relief Ltd

The reasons put forward for the failure of US\$2.3 trillion of aid over five decades⁷⁰ to lead to growth include:

- The loss of aid due to instability and conflict in many recipient countries.⁷³
 - Poorly conceived and/or executed programmes.⁷³
 - The reform conditions placed on aid and loans by the International Monetary Fund (IMF) and World Bank (such as privatisation and trade liberalisation). For example, Oxfam recently illustrated how, despite numerous commitments to reform, the World Bank and IMF are still using aid to influence economic policies in developing countries.⁷⁴
 - The so-called ‘Dutch disease’ or adverse impact on exchange rates and overall competitiveness that result from significant amounts of aid entering a country.
 - The lack of alignment between donors, resulting in competing policies and onerous bureaucratic demands on recipient countries
- (the government of Mozambique has over 1,000 bank accounts due to donor requirements⁷⁵ and the average African country writes 2,400 reports each quarter for the aid agencies or NGOs that sponsor the projects).⁷⁶
 - The existence of too many donors and too many NGOs.³⁵
 - Volatile aid flows that, with imperfect credit markets, undermine long-term investment planning.⁷³
 - A contention that aid weakens African political systems by breaking the link between governments and their people.¹¹
 - Diminishing returns on aid—when aid reaches about 16% of GDP in a typical country it ceases to be effective.⁷⁷
 - The fungibility of aid (ie, aid increases government consumption, even in the sectors donors are not funding, as governments adjust their spending accordingly). This increased consumption has no positive impact on growth.⁷⁸

About 50% of development projects work and very few of the remaining ones cause harm. Simple aggregation thus predicts that aid works.

An influential paper by economists at the World Bank in 2000 found that 'aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies but has little effect in the presence of poor policies.'⁷⁸ This finding galvanised the aid world by implying that a reallocation of aid to countries with good policies would have a significant positive impact on developing country growth. This finding has influenced the subsequent increases in aid amounts as well as the allocation of that aid.

More recent studies have questioned the results of this seminal paper. One study found that, by using the same variables and simply adding more data (more recent data as well as additional data from the original sample period), there was an insignificant correlation between aid and growth in 'good policy' countries.⁷⁹ Similarly, slightly tweaking the definitions of aid, policy and growth led to insignificant correlations.⁶⁵ Another survey comparing 23 studies that found a positive relationship between aid and growth noted that only six of the studies concluded that aid works better in countries with better policies—all of which were World Bank studies.³⁵

Most aid programmes include an evaluation of their effectiveness. An alternative way of looking at the effectiveness of aid is to summarise the findings of these evaluations. About 50% of all development projects work, and very few of the remaining projects harm even if they fail. Simple aggregation thus predicts that aid works, even if it could work better.⁸⁰

Data published by the major donors themselves indicates that almost 80% of projects (which still comprise the majority of aid) meet their short-term objectives. And this proportion has been increasing. However, when results are examined over a longer period the positive impacts have often not been sustained.³⁵ Furthermore, project funding is a costly method of providing aid. Managing thousands of projects incurs significant costs to both the donor and the recipient.

The evidence on effectiveness is mixed. Institutions use different studies or examples to justify their stance on aid. Most are pro-aid and argue that an increase in the quality of aid will increase its effectiveness. William Easterly, on the other hand, contends that the goal of aid should not be as grand as transforming poverty to wealth. Rather it should simply aim to benefit some poor people some of the time.⁶⁵ Paul Collier posits that aid has helped in the poorest countries but only by preventing severe decline.⁶⁶ Few argue for a reduction in aid; the moral imperative to assist poorer countries is widely shared.

Trends in government aid

Aid delivery

In order to increase the effectiveness of aid two main changes in the way aid is delivered are occurring.

The first is a shift to **country ownership** of the development strategy, around which donors theoretically 'align' themselves. Aid is increasingly linked to autonomous implementation of the national poverty reduction strategy, rather than bilaterally negotiated policy conditions. It is increasingly delivered as budget support rather than being tied to specific imports, projects or policies.

In line with this move towards country ownership, the *March 2005 Paris Declaration on Aid Effectiveness*, signed by over 100 countries, recognises that improving aid coordination, donor alignment with country strategies, and cutting the 'compliance burden' on aid recipients, are all vital.

Although there has been much talk about this change, less than 10% of government aid is given directly to recipient governments.³⁵ And a 2006 Organisation for Economic Co-operation and Development (OECD) survey on monitoring the Paris Declaration concluded that donors still need to work aggressively to harmonise their aid and reduce the transaction costs of delivering and managing aid.⁸¹

Critics of unconditional budget support, however, equate such support to another form of unconditional finance: oil revenues.⁶⁶ They point out that, in the majority of cases, oil revenues are not distributed to the people or used towards development goals.

The second shift is the allocation of aid on the basis of **performance**. Performance indicators cover various aspects of development effectiveness: governance, the policy environment, intermediate results and final outcomes.

These shifts are occurring, albeit slowly and in a limited number of well-governed countries. It is too early and progress is too limited to judge the impact of the changes on the effectiveness of aid.

Southern donors

Another trend in government aid is the growing importance of 'South-South' aid ie, transfers between developing countries. An increasing number of developing countries—including Brazil, Cuba, Chile, China, Egypt, India, Malaysia, Nigeria, Saudi Arabia, South Africa, Thailand, Turkey and Venezuela—are providing development assistance to other developing countries.⁸²



Photograph supplied by Pontso Mafethe/Comic Relief Ltd

China has already cancelled around \$1bn in African debt and plans to provide \$20bn in infrastructure and trade financing to Africa during the next three years. India has pledged \$200m for New Emergency Plan for African Development (NEPAD) and has provided \$3bn worth of technical assistance to 156 Southern countries. And South Africa has started a national debate on the creation of a South African International Development Agency (SAIDA).⁸²

What are the alternatives?

There is a school of thought putting forward the argument that both aid and philanthropy have failed to address poverty. These analysts argue that market-based approaches are needed, and economic growth and free trade will lift people from poverty.

There is much debate about whether free markets are the best route to development. Successful Asian economies all developed with significant degrees of government intervention. Korea and Taiwan had notable industrial policies and policies to stimulate savings. These may have hindered growth but there is no reason to believe this.⁸³

There is no theory underpinning the belief that, in the early stages of development, markets by themselves will lead to efficient outcomes.⁸⁴ There are many other factors that come into play. However, there is no doubt that the employment created by entrepreneurs and enterprises does much to alleviate poverty and is a vital component of development.

Philanthropists can contribute by investing in charities that work to enable markets in developing countries or that advocate for better market and trade conditions. Oxfam and Debt

Aid Trade Africa (DATA) are just two of many charities advocating for better trade terms.

They can intervene in markets in other ways. The Clinton Foundation, for example, encouraged pharmaceutical companies to adopt a low margin, high volume model that had a certain payment system. By doing so it has achieved six price reductions on ARVs and diagnostics in four years.⁸³ The cost of AIDS drugs has dropped from \$567 per year per person to \$60.⁸⁴

Donors can also invest directly in individuals and organisations in developing countries. Microfinance is a popular route to individuals and there are now well over 3,000 microfinance institutions worldwide (microfinance is discussed in more detail in Section 4).

Trickle Up is one of a number of charities that provides seed capital, business training, and support services for the launch or expansion of

Box 4: The Acumen Fund and GEXSI's Bottom-of-the-Pyramid Fund

Both the Acumen Fund and the Global Exchange for Social Investment (GEXSI) invest in social enterprises. Both channel repayment and revenues back into the funds and offer management support to investees.

Acumen Fund's investments focus on delivering affordable, critical goods and services—predominantly health, water and housing—through market-oriented approaches. For example, Acumen Fund invests in A to Z Textile Mills, a Tanzanian manufacturer that produces bednets impregnated with a long-lasting insecticide. The nets are currently protecting more than 5 million people in Tanzania. In addition, 2,000 better-paying jobs have been created, primarily for women. By the end of 2006 Acumen had invested \$20m in underserved markets, mostly as equity and loans.

The **GEXSI Bottom-of-the-Pyramid (BoP) Fund** provides debt or equity financing at less than market interest rates to organisations with the potential to become self-sustaining. Focus areas include agriculture and forestry, biofuel, energy, health, housing and water and sanitation. For example, GEXSI has provided a loan to a wood processing company in Ecuador that works with indigenous people to protect the rainforest.

microenterprises in developing countries. It has helped over 150,000 such enterprises. A level up in enterprise size, Endeavor supports 'high impact' entrepreneurs in eight middle-income countries and Enblis provides financial and management support to entrepreneurs in South Africa.

Another route for donors is to support individuals and organisations with a social mission—social entrepreneurs and enterprises.

Box 5: Skoll Foundation

Jeff Skoll claims that this 'is a changing time for philanthropy', and that much of the focus these days is on bringing business practices to philanthropy. It is not just about change in the nature of philanthropy, 'but a movement from institutions to individuals'.

Individuals, he suggests, can move faster and take more chances. 'Wherever you find humanity at its worst in the world, you'll find a social entrepreneur working for change'.¹⁷ His aim has been to 'enlighten, inform and take past the tipping point' innovative ideas, harnessing the power of markets and helping the initiatives of those he supports to become sustainable.²⁶ Entrepreneurs are funded for at least three years to continue, replicate or extend programmes that have proved successful in addressing critical social issues.

Riders for Health trains local health workers to carry out vehicle maintenance and provides technicians who service vehicles, thus making health care available even in remote areas of Africa. It has received \$765,000 over three years from Skoll. In areas served by reliable vehicles, vaccination rates have risen, death rates have dropped, and the efficiency of health workers has increased 300%.³²

International Development Enterprises (India) received \$615,000 for three years in 2005 to provide drip irrigation systems and other income-generating technologies to poor farmers in India and other developing countries. These funds, in combination with funds from other donors, will enable 250,000 more small farmers to have access to affordable irrigation systems that could create \$184m in new wealth by 2007 and \$15m more income to entrepreneurs in the supply chain.³²

Box 6: Accessing capital through property

Hernando de Soto argues that the amount of wealth held by developing countries themselves far exceeds everything donor countries and individuals have ever given them. He argues that formalising land titles and property rights could unlock much of this wealth by providing collateral for credit.¹² Without this, potentially entrepreneurs are driven into informal or underground economies.

Government bureaucracy compounds the problem. 'In Egypt, the person who wants to acquire and legally register a lot on state-owned desert land must wind his way through at least 77 bureaucratic procedures at 31 public and private agencies. This can take anywhere from 5 to 14 years. To build a legal dwelling on former agricultural land would require 6 to 11 years of bureaucratic wrangling'.¹²

Critics argue that the wealth unlocked by titling in de Soto's studies is overstated. Results of studies in Argentina and Colombia show that title deeds had little impact on the availability of credit.³⁰ Others argue that he is too singularly focused on property rights and underestimates the importance of culture and local differences.³³ His approach may also discriminate against those who are totally landless. DFID also found the local context to be critical to success.³⁴

Social enterprises

Worldwide almost \$200m each year is going into social enterprises—those that trade goods and services for a social purpose—from dedicated foundations.⁸⁵ Many 'new philanthropists' have adopted models that allow for both charity and enterprise. Google.org, for example, does not have the usual tax exempt status, so it can invest and support for-profit as well as non-profit groups that focus on energy, poverty and the environment.

New charities such as the Acumen Fund and GEXSI use donations to make loans and purchase equity in social enterprises (see Box 4). Any returns from these investments are recycled to other social enterprises. Social enterprises are rising in prominence within the UK too. The main political parties have embraced the concept and the government estimates that there are 55,000 social enterprises in Britain.²⁶

Unlike commercial organisations, many social enterprises will never be sustainable. They will always need philanthropic or government support in some form.²⁶ For this reason, critics argue that conventional for-profits create greater social impact simply by providing sustainable employment opportunities.

Social entrepreneurs

Rather than supporting organisations, it is possible to support individuals who are creating social change—'social entrepreneurs'. This broad term includes people who are developing new methods for creating social or environmental change. They could be working alone, in charitable organisations, or in commercial organisations.

Ashoka, the Skoll Foundation and the Schwab Foundation find and support social entrepreneurs across many countries, and provide a mechanism for donors to promote them (see Box 5).

As with any entrepreneurs, accessing capital is the biggest challenge for social entrepreneurs. In a survey of over 100 social entrepreneurs, almost three-quarters (72%) cited this as their top priority. Foundations are still the main source of funding for social entrepreneurs (mentioned by 74% of respondents), but there is a recognition of the need to diversify funding sources.⁸⁵ Traditional financing is often not available to social—or, indeed, other—entrepreneurs and there are a number of approaches being used to overcome this (see Box 6).



Photograph supplied by Alexia Webster/Comic Relief Ltd

‘If there is a consensus today about what strategies are likely to help the development of the poorest countries it is this: there is no consensus.’

Joseph Stiglitz, 2005⁸

Summary

Growth and development are highly complex subjects. Many thousands of theories, studies and evaluations have not provided a definitive answer to the route out of poverty. No one can say with certainty whether aid, philanthropy or even different approaches to supporting markets are directly linked to development. Each has a role and there is evidence of effectiveness within all of the areas. No single approach is a panacea for poverty.

Trends in support have shifted from skills and infrastructure development, through improving the health and education of the population to enhancing institutions and governance. There is a long list of other factors judged to be important to reducing poverty. As Joseph Stiglitz comments: ‘If there is a consensus today about what strategies are likely to help the development of the poorest countries it is this: there is no consensus.’⁸

Despite this, the more modest goal of improving the lives of some poor people in some places can be achieved. At the very least aid and philanthropy can stem the decline by preventing avoidable deaths. They can also create hope and opportunity in otherwise bleak environments. There are organisations that are achieving wonderful results that deserve your support. Identifying them is not always easy.

The next three sections will consider how to select organisations. Section 3 argues that donors should first select the region and type of issue they would like to fund based on personal preference. Section 4 provides examples of issues to fund within education, health and microfinance. And Section 5 considers how to select individual organisations, and which intermediaries exist to make this easier.

What to give to

3

The scale of human poverty and suffering in the world, as well as environmental degradation, is vast. The choice of what to give to is almost limitless—a fact that many donors see as a barrier to giving.

Few attempts have been made to prioritise issues and countries for funding. Those that have are clouded in controversy.

NPC believes that personal preferences should play a key role in deciding where to give—and to what. An NPC survey of 122 donors found that the causes donors would most like to support are education and economic empowerment. The most popular region is sub-Saharan Africa.

What are the issues?

There is a vast disparity in wealth between people living in different parts of the world—40% of the world's population (2.5 billion people living on less than \$2 a day) account for 5% of global income, whilst the richest 10% account for 54%.⁸⁶ There is significant need for basic services across large parts of the globe: including food, water, adequate housing, education and health provision.

With these come other issues: environmental degradation, corruption, human rights abuses, discrimination against women or minority groups, conflict and lack of security.

There are clearly many issues throughout the world that need to be addressed. And indeed many non-profit organisations that need funding: there is a total of around 170,000 NGOs in the UK, an estimated million each in the US and India, and around 100,000 in South Africa.

With such a wide array of choices where does the donor begin? NPC has broadly categorised the issues into four categories:

- individual (health, education, housing etc);
- societal (human rights, gender equality etc);
- national (infrastructure, economics etc) and
- global (environment, aid, trade etc).

Philanthropy has a role to play at each of these levels.

Individual

One of the major aims of development work is to meet the basic needs of an exploding population. Basic needs include food, water and basic health—which are essential for life itself—as well as education, employment and environment—which are regarded as human rights.

Currently, there is a global population of 6.5 billion. This is expected to reach 9.2 billion by 2050, with 86% living in developing countries.⁸⁷

In 2007, for the first time, the number of people living in cities outnumbered those living in rural areas.⁸⁸ The rate of urbanisation is highest in the developing world. By 2020 there will be seven cities with more than 20 million inhabitants in the developing world (Delhi, Dhaka, Jakarta, Lagos, Mexico City, Mumbai and Sao Paulo).⁸⁸ Most cities are not prepared for this influx: for example, over 90% of the urban population in Ethiopia, Malawi and Uganda are forced to live in slums.⁸⁸

Such population growth is already putting a severe strain on food, water and basic service availability resulting in further malnourishment and ill health. Today, 1.1 billion people in developing countries have inadequate access to water, and 2.6 billion lack basic sanitation.⁸⁹ Population Action International predicts that by 2050 54 countries containing 4 billion people will face water shortages.⁹⁰



Photograph supplied by ActionAid

The richest 10% of the world's population account for 54% of global income.

Why education? Because it is the best way to change lives. And it is the best way to fight poverty.

Hillary Benn, former Secretary of State for International Development, Feb 2007

Though a large proportion of government funding is directed towards meeting these needs (over 30% of government aid goes to social services,³⁹ see Figure 3), there is an important role here for private funding.

This includes: supporting the significant activity from NGOs delivering services such as education or health care directly, where government provision is poor; raising the level of support above what the government can provide (eg, mental health care, which is not a priority issue in many countries); lobbying the government and working with them to improve policies for service delivery; or meeting needs beyond governments' control, such as war zones or refugee camps.

Across 34 countries, 63% of the civil society workforce is engaged in educational, health and social services.⁹¹ The need for private funding of these organisations is significant. These needs, as well as the role of philanthropy in the areas of education and health, are discussed in more detail in the next section.

Societal

There is a wide range of issues that relate to rights and society. These include the development and strength of civil society (voluntary groups, NGOs, the Church and unions) and support for human rights—political, cultural and social. Development of civil society is crucial, as it is civil society organisations that campaign for change within their countries. Freedom of media and expression are also vital components.

Private funding plays a very important role supporting civil society as it encourages and lobbies for these changes. For example, the Ford Foundation funded the establishment of umbrella bodies (eg, the East African Grant-Makers Association) and capacity-building organisations (eg, Ufadhili and the Kenya Community Development Fund) to encourage philanthropy and the development of civil society in the East African region.

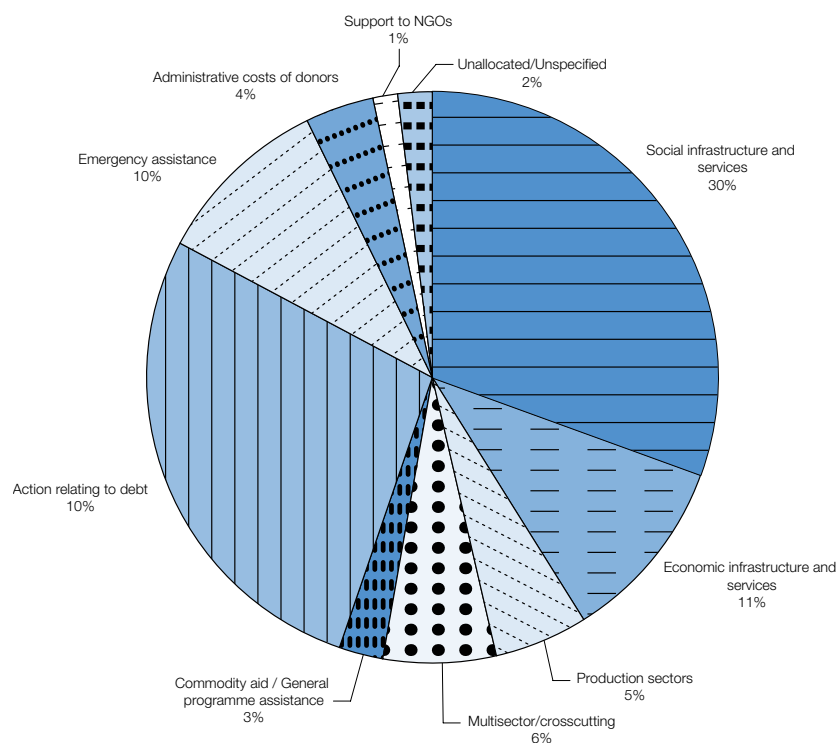
In the human rights arena, organisations like Amnesty International, Human Rights Watch and Global Witness bring abuses of human rights to international attention, resulting in the release of political prisoners and sanctions against countries not respecting human rights. There is less government and corporate funding available for this type of work (and many of the charities operating in the human rights arena choose not to accept what might be available), making private money key.

National

The state of a country is an important determinant of its ability to meet the needs of its people. Economic development is crucial, as it tends to improve employment, governance and infrastructure.

In some developing countries, conflict is also an issue, with clear impacts on the economy and infrastructure. In 1999/2000 there were 50 internal armed conflicts, which had collectively killed seven million civilians since their inception.⁷⁶ Over 90% of armed conflicts since 1945 have taken place in developing countries.⁷⁶

Figure 3: Total bilateral ODA for 2005 by major purpose or sector



Source: data extracted on 14/02/2007 from OECD stat

In 1999/2000 there were 50 internal armed conflicts, which had collectively killed seven million civilians since their inception.



Photograph supplied by Simon Clark of Eyebox/Comic Relief Ltd

The population explosion also has economic repercussions. For example, with the entry of China into world markets, the global capital/labour ratio has halved. The industrialisation of other countries, particularly those in sub-Saharan Africa, is becoming increasingly difficult as they struggle to compete with China.⁹²

Much of the funding, support and, in some cases, pressure to improve country-level issues comes from multilateral and bilateral aid (from other governments). These are complex issues that often take a long time to change, and are highly dependent on factors such as the state of the world's economy, conflict, and so on. Private funding does not play a major role, apart from in funding groups to lobby on these issues.

Global

Increasingly, there are issues that cross national boundaries, and cannot be solved at the level of the nation state. The international development agenda is thus shifting from pure delivery of primary services (health, education etc) to a focus on global goods.⁹² For example, since 9/11, security and terrorism have become issues high on the global agenda. They have made a significant impact on the distribution of official aid: by 2004 Iraq, Egypt, Jordan, Afghanistan, Pakistan and Colombia accounted for a third of all US aid.⁹⁵

Jean-Francois Rischard, a former vice-president at the World Bank, has categorised 20 global issues into three groups: sharing our planet, sharing our humanity and sharing our rulebook.⁷⁶

- **Sharing our planet** comprises of: global warming; biodiversity and ecosystem losses; fisheries depletion (70% of marine fish species are in danger of collapse by 2048); deforestation and water deficits. For more information on these topics please see NPC's report *Green philanthropy*.⁹³
- **Sharing our humanity** includes: maritime safety and pollution; massive step up in the fight against poverty; peacekeeping, conflict prevention, combating terrorism; education for all; global infectious diseases; digital divide and natural disaster prevention and mitigation.
- And, finally, the issues comprising **sharing our rulebook** are: reinventing taxation for the twenty-first century; biotechnology rules; global financial architecture; illegal drugs; trade, investment and competition rules; intellectual property rights; e-commerce rules and international labour and migration rules.

Global issues require coordinated international action. Much of the work that needs doing on these issues is awareness raising, advocacy and campaigning, both for individual countries and companies to take action, but also for an

improved system of global governance, which would provide a means to identify and tackle such issues.

Private funding is critical for supporting work in this area and, although funding research and advocacy is more risky, it can have a huge impact. Wetlands International, for example, used its research into the manufacture of palm oil to show how the industry had contributed to Indonesia becoming the third largest carbon emitter in the world. Its campaign stopped the Dutch government subsidising palm oil and the main Dutch utility from using it for biofuel. Similarly, Global Witness succeeded in getting the Chinese/Burmese border closed to a massive illegal timber trade preventing the destruction of over 200,000 trees every year.⁹³

How others select issues

Choosing between these issues is no easy task. All need to be addressed. This section describes how governments, a group of economists, foundations and individuals choose their areas of focus.

Governments

Governments have considerable leeway to choose which issues to support in developing countries. Their decisions are based on many factors, some of them self-serving and many of them changing frequently. There are also a number of internationally agreed frameworks that are discussed below.



Photograph supplied by ActionAid

Millennium Development Goals

The priorities with the most weight and the widest backing are the eight Millennium Development Goals (MDGs) agreed at the United Nations Millennium Summit in September 2000, and adopted by all 189 UN member states. Exactly how these goals were arrived at is unclear; there is no readily available information on the process for selection. However, given the broad adoption, much development policy is now based on these goals (see Box 7).

Progress towards the Millennium Development Goals

On the whole, progress towards the MDGs has been poor (see Figure 4).⁹⁴ Most regions are not on track to meet most of the goals by 2015. As the figure indicates, progress has been far from uniform across the world—or across the various goals. There are huge disparities across and within countries. Within countries, poverty is greatest in rural areas, though urban poverty is also an extensive and growing problem.

Sub-Saharan Africa is not on track to meet any of the goals. Continuing food insecurity, an increase in extreme poverty, stunningly

Box 7: Millennium Development Goals

- Goal 1: Eradicate extreme poverty and hunger
- Goal 2: Achieve universal primary education
- Goal 3: Promote gender equality and empower women
- Goal 4: Reduce child mortality
- Goal 5: Improve maternal health
- Goal 6: Combat HIV and AIDS, malaria and other diseases
- Goal 7: Ensure environmental sustainability
- Goal 8: Develop a global partnership for development

high child and maternal mortality, and large numbers of people living in slums are still the reality for too many countries in the region.

Asia is the region with the fastest progress, but even there hundreds of millions of people remain in extreme poverty and the non-income goals are proving elusive. Other regions have mixed records, notably Latin America, the transition economies, and the Middle East and North Africa, often with slow or no progress on some of the goals and persistent inequalities undermining progress on others.

Figure 4: Progress towards the Millennium Development Goals 2007

 Target met
  On track to meet targets
  Will not meet targets
  No progress or deteriorating

Goal	Africa		Asia					Latin America	Oceania	Commonwealth of Independent States	
	North	sub-Saharan	East Asia	South-East Asia	South Asia	West Asia	Europe			Asia	
Eradicate extreme poverty & hunger											
Achieve universal primary education											
Promote gender equality and empower women											
Reduce child mortality											
Improve maternal health											
Combat HIV and AIDS, malaria & other diseases											
Ensure environmental sustainability											
Develop a global partnership for development											

Box 8: Sachs' quick wins

The Millennium Project, led by Jeffrey Sachs and with input from more than 250 development experts, identified a number of 'quick wins' that could rapidly bring lasting benefits to millions of people:

- Eliminate school and uniform fees to ensure that all children, especially girls, are not out of school because of their families' poverty. Lost revenues should be replaced with more equitable and efficient sources of finance, including donor assistance.
- Provide impoverished farmers in sub-Saharan Africa with affordable replenishments of soil nitrogen and other soil nutrients.
- Provide free school meals for all children using locally produced foods with take-home rations.
- Design community nutrition programmes that support breastfeeding and provide access to locally produced complementary foods and, where needed, micronutrient (especially zinc and vitamin A) supplementation for pregnant and lactating women and children under five.
- Provide regular annual de-worming to all schoolchildren in affected areas to improve health and educational outcomes.
- Train large numbers of village workers in health, farming, and infrastructure (in one-year programmes) to provide basic expertise and services to rural communities.
- Distribute free, long-lasting, insecticide-treated bednets to all children in malaria-endemic zones to cut decisively the burden of malaria.
- Eliminate user fees for basic health services in all developing countries, financed by increased domestic and donor resources for health.
- Expand access to sexual and reproductive health information and services, including family planning and contraceptive information and services, and close existing funding gaps for supplies and logistics.
- Expand the use of proven effective drug combinations for AIDS, Tuberculosis and malaria. For AIDS, this includes successfully completing the 3 by 5 initiative to bring antiretroviral drugs to 3 million people by 2005.
- Set up funding to finance community-based slum upgrading and earmark idle public land for low-cost housing.
- Provide access to electricity, water, sanitation and the Internet for all hospitals, schools and other social service institutions using off-grid diesel generators, solar panels, or other appropriate technologies.
- Reform and enforce legislation guaranteeing women and girls property and inheritance rights.
- Launch national campaigns to reduce violence against women.
- Establish, in each country, an office of science advisor to the president or prime minister to consolidate the role of science in national policymaking.
- Empower women to play a central role in formulating and monitoring MDG-based poverty reduction strategies and other critical policy reform processes, particularly at the level of local governments.
- Provide community-level support to plant trees to provide soil nutrients, fuel wood, shade, fodder, watershed protection, windbreak and timber.

The Millennium Project

In 2000 Kofi Annan, the then Secretary-General of the UN, commissioned an independent advisory body led by the academic Jeffrey Sachs—The Millennium Project—to propose strategies for meeting the goals. More than 250 experts from around the world contributed to the project, which reported to the UN Secretary-General in 2005. Key recommendations of the Millennium Project include:

- All developing countries should have MDG-based poverty reduction strategies in place.
- Donors should identify at least a dozen MDG 'fast-track' countries and significantly increase aid to these countries.
- A number of 'quick win' actions should be launched immediately (see Box 8).
- Regional groups, such as the New Partnership for Africa's Development, should receive increased donor support.
- Donor countries should increase official development aid to 0.7% of GDP by 2015 and should extend debt relief. They should also open their markets to exports from developing countries.

Africa Commission's big push

In 2004 Tony Blair, then British Prime Minister, formed a Commission for Africa. The task of the 17-member commission was to define the challenges facing Africa and to recommend ways to support poverty reduction on the continent.

After a year of studying the evidence and consulting widely with various stakeholders, the commissioners reported their findings. They recommended a 'big push', equivalent to the Marshall Plan following World War II. A doubling of annual aid to Africa was called for to address multiple issues concurrently: governance and capacity-building; peace and security; education and health; growth, infrastructure and trade.⁹⁵

Unlike the Millennium Project, the Commission does not recommend fast-tracking countries, or indeed sectors or projects. This is criticised by some, whose arguments include: institutions are needed before markets, human development comes before investment, investment in certain sectors is better for growth.¹¹



Photograph supplied by Justin Canning/Comic Relief Ltd

Economists

The goal of the Copenhagen Consensus project was to set priorities among a series of proposals for confronting ten great global challenges. These challenges, selected from a wider set of issues identified by the UN, are: civil conflicts; climate change; communicable diseases; education; financial stability; governance; hunger and malnutrition; migration; trade reform; and water and sanitation.

In 2004 a panel of eight leading economists (including four Nobel prize winners) was invited to consider these issues. The panel was asked to address the ten challenge areas and to answer the question: 'What would be the best ways of advancing global welfare, and particularly the welfare of developing countries, supposing that an additional \$50 billion of resources were at governments' disposal?'

Ten challenge papers, commissioned from acknowledged authorities in each area, set out more than 30 proposals for the panel's consideration. Two specialists in each area were commissioned to write critical appraisals. The panel then ranked the proposals, in descending order of desirability. In ordering the proposals, the panel was guided predominantly by consideration of economic costs and benefits.

Combating HIV and AIDS came out top: about 28 million cases could be prevented by 2010. The cost would be \$27bn, with benefits almost 40 times as high (see Box 9). Education, civil conflicts and financial stability were not ranked due to lack of data and/or the number of external factors required for success.

The climate change proposals fared the worst, with the panel concluding that the costs outweighed benefits.

Unsurprisingly, the conclusions of the group are highly controversial—there are websites dedicated to picking apart the results. The approach of the entire exercise was criticised by Jeffrey Sachs and a number of NGOs, which claimed the framework was biased and inappropriate. The organiser, Bjorn Lomborg, authored *'The Sceptical Environmentalist'* and critics claim that climate change was set up to fail.²⁰⁸

Box 9: Copenhagen Consensus priorities

Very good projects:

1. Diseases: Control of HIV and AIDS
2. Malnutrition: Providing micronutrients
3. Subsidies and trade: Trade liberalisation
4. Diseases: Control of malaria

Good projects:

5. Malnutrition: Development of new agricultural technologies
6. Sanitation and water: Small-scale water technology for livelihoods
7. Sanitation and water: Community-managed water supply and sanitation
8. Sanitation and water: Research on water productivity in food production
9. Government: Lowering the cost of starting a new business

Fair projects:

10. Migration: Lowering barriers to migration for skilled workers
11. Malnutrition: Improving infant and child nutrition
12. Malnutrition: Reducing the prevalence of low birth weight
13. Diseases: Scaled-up basic health services

Bad projects:

14. Migration: Guest worker programmes for the unskilled
15. Climate: Optimal carbon tax
16. Climate: The Kyoto Protocol
17. Climate: Value-at-risk carbon tax

Most criticise the misleading use of discount rates: all amounts were discounted, different rates were used in each area and the results depend critically on the discount rates used. Projects with short time horizons (HIV and AIDS) fared better than those with longer time horizons (climate change). Critics argue that the subjective choice of discount rates should not be used to guide policy.

Box 10: How did the Children's Investment Fund Foundation (CIFF) choose what to fund

CIFF was established in 2002 to improve the lives of children living in poverty in developing countries. The foundation receives its funds from The Children's Investment Fund (a London-based hedge fund), which donates a portion of its management fees and profits each year. Over \$1.4bn has been donated to the foundation to date.

CIFF's current areas of focus are **education, sanitation and hygiene and HIV and AIDS**. During its set up phase, CIFF went to opinion leaders in the 'child world' and asked them to identify high impact issues relating to children where CIFF could make a strong contribution. They narrowed the field down to eight credible themes and chose three that resonated with them: HIV and AIDS; microfinance; and sexual abuse and exploitation.

After conducting extensive research on all three issues, the foundation realised that the second two issues were harder to get trustee conviction on. It was decided not to fund in those areas and to replace them with education and water and sanitation.

Microfinance was found to have at best an indirect connection to outcomes for children. The little research available suggested that sending children to school was not the first thing families funded. Rather they sought to take out the 'troughs' with the money and buy land and livestock. CIFF also found it difficult to determine what they might fund in the area; they found sustainable microfinance programmes easily attracted funding.

CIFF failed to find a scalable response to the issues of sexual abuse and exploitation. It also appeared to be a difficult area in which to tackle root causes. Alleviating poverty, educating parents and cultural change seemed too general and difficult to demonstrably prove the link to child abuse and exploitation.

CIFF operates in five countries: **Kenya, Malawi, Ethiopia, Uganda and India**. These countries were selected during the development of the HIV and AIDS programme, which was the first to get underway.

Initially CIFF crossed off countries that were 'over the HIV tipping point' – South Africa, Zimbabwe, Botswana and Swaziland. They felt the situation in these countries constituted a humanitarian crisis and needed significant intervention. They also eliminated countries where there were already lots of players (South Africa and Botswana).

The criteria they looked for were countries where: the government was proactive and could be worked with (Malawi), there were organisations on the ground to get started with (Uganda), and where a small increase in HIV prevalence would translate to big absolute numbers (Kenya, Ethiopia and India).

Based on an interview with Jamie Cooper-Hohn, President of CIFF

Foundations

Foundations tend to select the issues and geographies they fund based on the interests and/or business links of the founders and trustees. The Nuffield Foundation, for example, funds in Commonwealth countries in Southern and Eastern Africa because these are areas in which Lord Nuffield had an interest, and where he originally funded universities. The Baring Foundation's international programme was initiated because of Barings Bank's business links in Latin America, which is where the foundation originally focused its funding.

Atlantic Philanthropies also chose its initial areas of focus (education and the non-profit sector in Australia, the Republic of Ireland, Northern Ireland, South Africa, the US and Vietnam) based on the interests of its founder. Subsequent to its 2002 decision to spend down its entire endowment of almost \$4bn by 2020, the focus areas changed. Considerations of neglected areas and impact in a limited timeframe were important in the selection of the new programme areas: ageing, disadvantaged children and youth, population health and human rights.⁹⁶

NPC's analysis of small-scale funders (UK-based GMTs funding between £50,000 and £1m per annum internationally) showed that most do not have a clear focus. The majority have a broad definition of what they will fund.⁵¹ For some this is because they do not want to exclude areas, whereas for others it is because of difficulties, such as a lack of information or an inability to agree on a focus area.

New foundations, many originating in the financial sector, have primarily chosen to focus on children. Absolute Return for Kids (ARK), The Children's Investment Fund Foundation (CIFF), the Private Equity Foundation (PEF) and Elma Philanthropies are new foundations focusing on children and youth and looking to make a demonstrable impact.

They are generally proactive in selecting areas and organisations to fund (see Box 10). They are also prepared to set things up themselves where they do not exist (eg, ARK hired doctor and nurse 'swat teams' in South Africa to administer ARVS) or work intensively with organisations to develop new services or improve existing ones.



Photograph supplied by ActionAid

International NGOs

International NGOs are generally set up in response to a specific event, or to address a particular issue. Often, as their income grows, so too does their remit as the examples illustrate below.

Oxfam was founded in England in 1942 as the Oxford Committee for Famine Relief with a mission to send food through the Allied blockade to the citizens of Nazi-occupied Greece. Though Oxfam's initial concern was the provision of food to relieve famine the charity has, over the years, developed strategies to tackle the underlying causes of famine. Today, Oxfam works on trade justice,

fair trade, education, debt and aid, livelihoods, health, HIV and AIDS, gender equality, conflict and natural disasters, democracy and human rights, and climate change.

Likewise, Save the Children was originally an offshoot of the Fight The Famine Council, a group set up to campaign against the Allied blockade of Germany and Austria-Hungary after World War I. The Save the Children Fund was created to raise money to send emergency aid to children suffering as a consequence of the wartime shortages of food and supplies. It too has broadened its remit and today works to ensure the rights of children are upheld around the world.

230,000 people are estimated to have died in the Asian tsunami; the same number of people die every five days from poverty and disease.

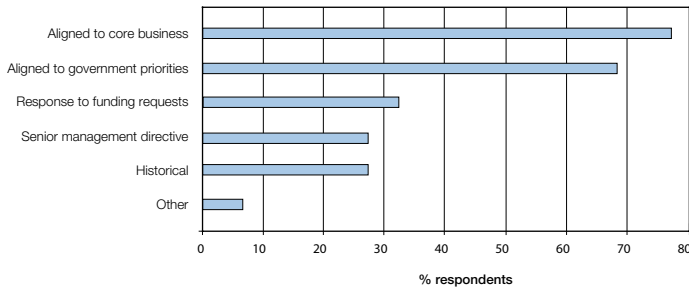
Amnesty International has, in particular, come under attack for its expanding remit. What started as an appeal for amnesty for specific prisoners of conscience has grown to include much broader campaigns such as those aimed at poverty and violence against women. Some argue that such a broad remit comes at the expense of effectiveness.⁹⁷

Even though large INGOs are moving into new areas and working indirectly to change systems, around 80% of their expenditure is still spent tackling extreme poverty directly.³⁵

Corporates

A global survey of corporate partnerships found that companies are most likely to partner with NGOs on education and environmental protection. Locally, companies were most likely to engage in partnerships in the education sector (39% of partnerships), and globally, in the area of environmental protection (33%). Microfinance represented only 5% of partnerships.⁹⁸

Figure 5: Methods used to select focus areas



US corporate giving differs from these global partnership trends. Health and social services dominate giving, with education coming in a close second. Environment makes up a mere 3% of a typical company's giving, although this is expected to grow. International giving is also on the increase.⁹⁹

In a survey of South African corporates, 78% chose issues that align with their core business (see Figure 5).⁶⁰ For example, Discovery Health (a health insurer) has a social investment strategy that aims to extend access to essential health services. Dimension Data, an IT firm, helps disadvantaged learners access and learn ICT skills, so contributing to a growing skills base for the industry.

The other major method used for selecting focus areas was alignment with government priorities. Sappi, for example, regards universal literacy as a pressing national priority and contributes to projects that are working towards this. Unlike endowed foundations, historical reasons and senior management preferences were cited by fewer than 30% of respondents as methods used to select focus areas.

Given these motivations for corporate giving, the five most-funded development sectors accounted for around 85% of the total Corporate Social Investment (CSI) budget, namely education, health, social development, job creation and training (see figure 6).⁶⁰

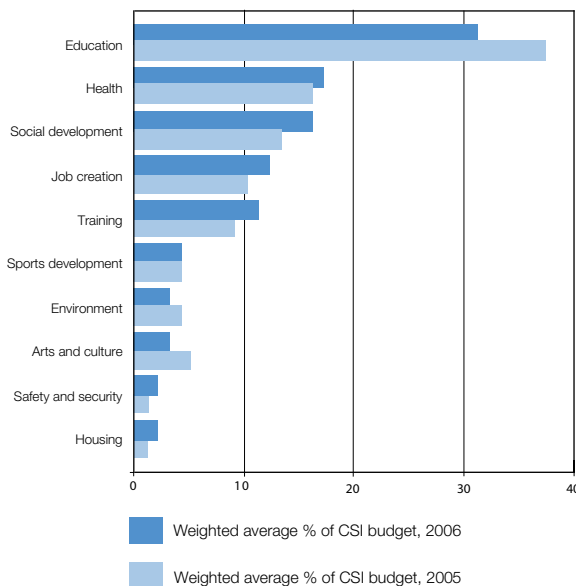
Individuals

Most international donations from the public are given to emergency appeals. This is strongly influenced by the media. However, it is worth pointing out that far more people die from extreme poverty than from natural disasters and as such donations are generally not going to where the need is greatest.³⁵ By way of illustration, 230,000 people are estimated to have died in the Asian tsunami; the same number of people die every five days from poverty and disease.³⁵

Disaster relief fared less well in an NPC survey with 122 respondents (see Figure 7). Education and economic empowerment were identified as the top two causes for support.

A survey of 34 ultra high net worth individuals and family offices (>\$100m in net assets) found that causes are selected through personal interest. The giving theme was typically defined either by a cause or geography of interest to the family. Top-down strategies dominate the approach to selecting projects to support. However, many philanthropists also make small ad hoc donations on a reactionary basis.⁵⁰

Figure 6: CSI expenditure by development sector 2005, and 2006

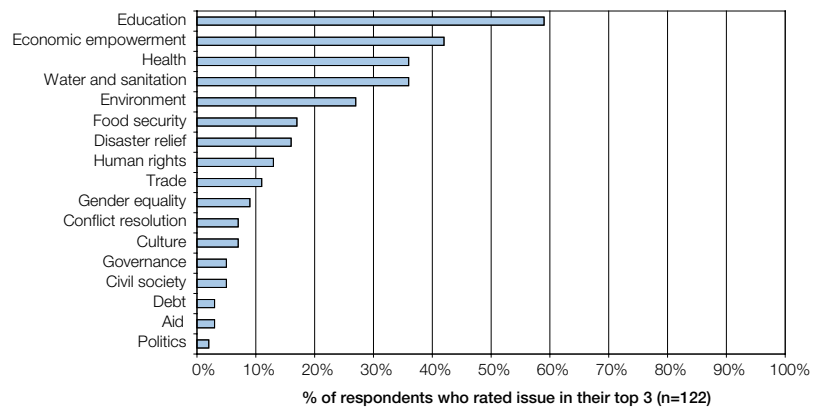


UK-based families take a more international view in selecting causes than their European peers. Global climate change, global poverty, global terrorism and cross-cultural social reconciliation are popular themes.⁵⁰

NPC has identified various types of international philanthropists. These are overly simplified and not necessarily mutually exclusive but do provide one way of thinking about how different people select issues.

- **Global problem solver.** eg, Gates
Focuses on a few areas and aims to make a real difference in these areas globally. Is proactive in identifying solutions, organisations and opportunities. Funds research and advocacy as well as service delivery.
- **Country supporter.** Has strong personal or business attachments to a particular country and funds various organisations in that country. Usually visits grantees and potential grantees.
- **Grant-maker to UK organisations.**
Funds UK-based organisations that make grants to charities in developing countries. Usually fairly engaged with the UK-based organisation and thoughtful about what they fund.
- **Sponsor.** Gives small amounts to very specific causes and wants a direct link to the beneficiary eg, child sponsorship, animal 'adoption', land purchase for conservation.
- **Reactor.** Responds to requests and gives small amounts to many organisations. Not particularly engaged with any of them. This approach characterised many of the philanthropists NPC met with.

Figure 7: Issues



- **Builder.** Have usually been to a very deprived area and witnessed the extreme need. React by spearheading the building of a school, hospital, library, orphanage etc.
- **Innovator.** Usually entrepreneurs themselves, these donors fund individuals who have developed an innovative model addressing a social cause. Fund start up and development of the organisation and then exit the relationship financially. Often provide non-financial support.
- **Social investor.** Believe in a market solution to poverty and provide loans to 'social enterprises' for a financial and social return.

“...if I had one gift to bestow on Africa, it would be education for girls. It would be a gift that multiplies.”

Richard Dowden, former Africa editor of the Economist and director of the Royal African Society⁹



Photograph supplied by Victoria Dawe/Corrict Relief Ltd

Tackling malnutrition should be top of the list... For the developing world as a whole, over a quarter of children under five is severely stunted.

Simon Maxwell, Director of the Overseas Development Institute (ODI)¹¹

How others select countries

Need

The initial response of most people when asked this question is 'where the need is greatest'. Figure 8 compares the value of Overseas Development Aid (ODA) received by the 40 poorest countries to the Gross National Income per person in those countries. Low-income countries that receive relatively little official aid per person may be more in need of private funding.

Government donors generally direct their aid to low-income countries, but are also influenced by population (small countries get more) and by their own strategic interests. ActionAid found these interests to be so strong that only 40% of aid goes to low-income countries, despite their accounting for more than three quarters of all people living in poverty.⁷¹ Recent aid increases have largely gone to Iraq, Afghanistan and Pakistan.⁷¹

Though compelling, considering only need is overly simplistic. The experience of development practitioners over the years has shown that providing aid and support to countries without the capacity to use it effectively has achieved little progress.

Governance

An alternative criterion for selecting countries or regions to support might be the prospects for growth.¹¹ Governments increasingly use sound governance to assess such prospects. Research has shown a link between the way states govern and development indicators.¹⁰¹

'We've learned a lot in the last 40 to 50 years ... One major change is in the attention paid to governance issues and to selectivity in delivering aid to where there are greater chances of success.'

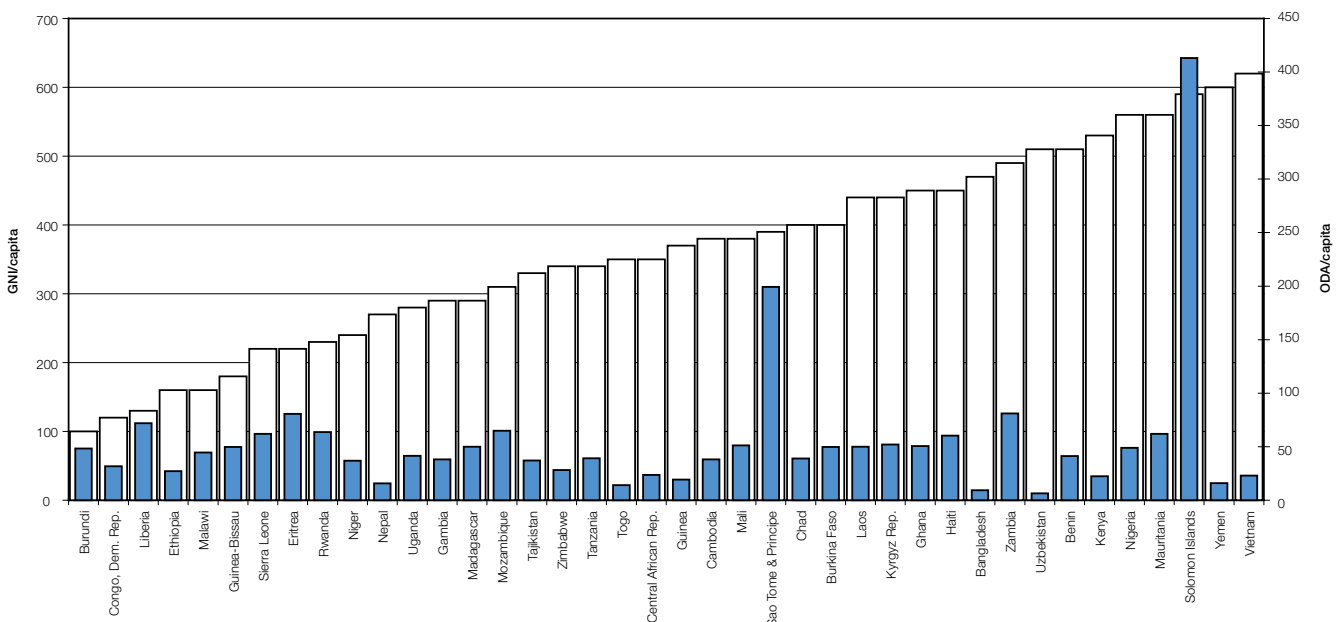
Paul Wolfowitz, former Head of the World Bank speaking at the World Economic Forum in 2007.⁴

Aid allocation is increasingly done on the basis of country performance that combines governance, general policy environment and some intermediate or final results. The use of the CPIA index by the World Bank (Country Performance and Institutional Assessments—Box 11) is a move in that direction. Bank research has shown that aid does contribute to growth when given to countries with high CPIA scores.³⁵ As always, critics have identified the exceptions and pointed out that there are other important factors driving growth and that allocation should not be confined to such a narrow list of criteria. Furthermore the process of arriving at CPIA scores is attacked as opaque and non-inclusive.

The US government has also established a set of indicators that identify poor but reasonably well governed countries that can qualify for funding from its Millennium Challenge Account. The list of 30 countries includes Bolivia, Ghana, Mali and Mozambique.

The Millennium Project report on implementing the MDGs recommends that countries should be prioritised, or 'fast-tracked' for investment if they meet certain minimum governance standards. It suggests that pre-existing criteria

Figure 8: GNI & ODA per capita of the forty poorest countries (US\$ 2005) (in increasing GNI/cap order)



Source: OECD Journal on Development: Development Co-operation — 2006 report — Efforts and Policies of the members of the Development Assistance Committee Volume 8 Issue 1, table 25. ODA Receipts and selected indicators for Developing countries and territories

should be used to help identify the fast-track countries. These include countries that have reached completion point under the Heavily Indebted Poor Country (HIPC) Initiative, those that have qualified for support from the US Millennium Challenge Account; those that have acceded to the African Peer Review Mechanism of the New Partnership for Africa's Development; or those with favourable reviews through the World Bank–IMF Joint Staff Assessments of Poverty Reduction Strategy Papers (PRSPs).

The Commission for Africa diagnosed weakness in governance and capacity as the central cause of Africa's difficulties. Political and financial support for regional organisations like the African Union and the strengthening of parliaments, local authorities, the media and justice systems were just two of its recommendations to improve governance on the continent.¹⁰²

Individuals are also starting to focus on good governance as the foundation of development. Sudanese businessman Mo Ibrahim, for example, has established a foundation focusing exclusively on governance (Box 12). His foundation has commissioned the development of a new composite index of governance that includes measures of safety and security; rule of law, transparency and corruption; participation and human rights; sustainable economic development; and human development

This emphasis on governance and performance may result in focusing aid on a limited number of countries that are already doing well at the expense of poorly managed countries with the greatest need.⁷³ A balance is needed.

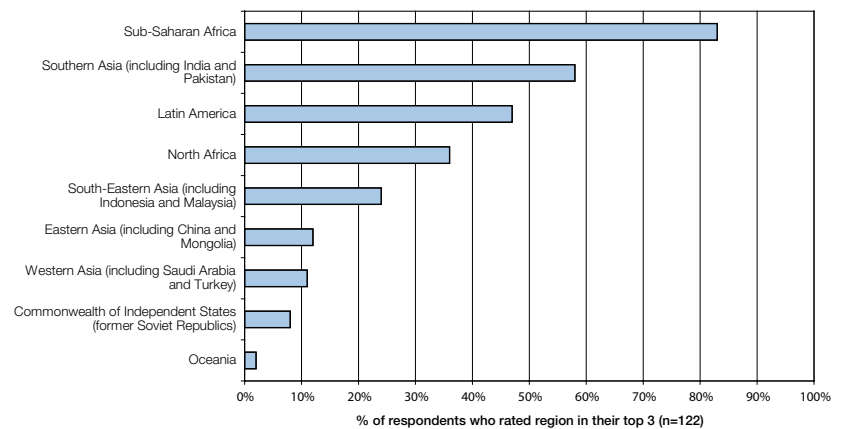
A different approach may be appropriate for more fragile states. This may encompass bypassing the government and directing aid to non-profit organisations, or restricting aid to humanitarian assistance.⁷³ For countries without the requisite governance and policies, tighter controls should be combined with assistance in strengthening governance and institutions.⁷³

UK-based donors

Sub-Saharan Africa and Southern Asia were each identified by over 50% of respondents in the NPC survey as areas they are most interested in supporting (see Figure 9). This is unsurprising given Britain's colonial past and remaining links with Commonwealth countries.

Over half of the £16m of international donations that go via the Charities Aid Foundation UK are destined for the Middle East and Africa regions (CAF combines the figures for the two regions).¹⁰³

Figure 9: Regions



Box 11: How the World Bank ranks the performance of countries and institutions

A: Economic Management

- 1 Management of inflation and macroeconomic policy
- 2 Fiscal policy
- 3 Management of public debt (external and domestic)

B: Structural Policies

- 4 Trade policy and foreign exchange regime
- 5 Financial sector depth, efficiency, and resource mobilisation
- 6 Business regulatory environment

C: Policies for Social Inclusion/Equity

- 7 Gender equality
- 8 Equity of public resource use
- 9 Building human resources
- 10 Social protection and labour protection
- 11 Policies and institutions for environmental sustainability
- 12 Property rights and rules-based governance

D: Public Sector Management and Institutions

- 13 Quality of budgetary and financial management
- 14 Efficiency of revenue mobilisation
- 15 Quality of public administration
- 16 Transparency, accountability, and corruption in the public sector

Box 12: The largest individual prize in the world⁹

Mo Ibrahim, the Sudanese founder of Celtel International, a mobile telephone company with operations across sub-Saharan Africa, launched his charitable foundation in 2007. Focusing exclusively on governance in sub-Saharan Africa, the foundation has established two key initiatives.

Firstly, the Mo Ibrahim Prize for Achievement in African Leadership, which recognises former heads of state or government who have demonstrated exemplary leadership. The prize, the largest to an individual in the world, consists of \$5m over ten years and \$200,000 annually for life thereafter. Joaquim Chissano, the former President of Mozambique, was awarded the inaugural prize in October 2007 by a committee of eminent people chaired by Kofi Annan. Amid much scepticism as to the difference such an award can make and the opportunity cost of the prize money, the impact of this bold initiative will be closely watched.

Second is the Ibrahim Index of African Governance, a comprehensive ranking of sub-Saharan African countries according to governance quality. The island states of Mauritius and Seychelles came out on top of the 2007 Index. Unsurprisingly, Somalia and the Democratic Republic of Congo take the bottom places.

So what's right for you?

There is no correct answer to the question of allocating resources to development (at least not one that has wide agreement). Given the plethora of issues, countries and approaches to prioritising them, private donors are faced with an almost impossible choice.

NPC believes that good results can be achieved in most countries and for most issues. It is thus important that donors consider both the external environment just discussed *and* their own values and preferences. Donors need to start with issues that interest them or with which they have a personal connection.

A survey of NPC donors found that the causes preferred by UK-based donors are education, economic empowerment and water and sanitation. The geographies are sub-Saharan Africa, Southern Asia and Latin America.

When deciding on focus areas, the answers to these questions may help guide donors to certain geographies and/or issues:

- Do you want quantifiable results?
- Do you want to focus on the very worst off?
- Do you want to make a significant personal difference to few or have a positive impact on many?

- Do you want to fund countries/issues that are overlooked?
- Do you want to collaborate with other funders?
- How important is empowering others?
- In what time-scale would you like to see results?
- How interested are you in creating systemic change vs dealing with immediate problems?
- Do you want to work in countries and areas that you can easily visit?
- Do you want to working on issues where you already have experience, or new issues?
- Do you want to replicate the work you support elsewhere?

The conclusion of a recent study of philanthropic giving by more than 20 wealthy individuals was that the most successful were those who 'came across an issue of great personal significance', began spending considerable time on it and became more involved as they saw that they were having an impact. 'They shifted from giving away money to asking how to solve a problem.'²⁶



Photograph supplied by ActionAid

This chapter of the report aims to give readers a sense of the funding opportunities in three areas: education, health and microfinance. Private donors indicated an interest in these topics and each of them are vast areas spanning many philanthropic opportunities.

Given the breadth of the topics, the coverage is by no means comprehensive and should be read as illustrative only. NPC has not researched the sectors or organisations in any depth. The charities are not NPC recommendations and have not been selected through any thorough process.

Rather, NPC hopes that the introductory nature of these sections will stimulate interest, ideas, questions and ultimately further research and funding.

Each of the three sections follows the same structure. First, the need in each of the areas is touched on. Then the major responses by governments and private donors are considered. Various funding options are then provided for private donors. And, finally, a country case study concludes each section—South Africa for education, Tanzania for health and India for microfinance.

Education

The need

Education is one of the most powerful instruments for reducing poverty and inequality and encouraging economic growth.¹⁰⁴ Yet one in every eight primary school-aged children in developing countries is not in school.¹⁰⁵ And of those who are in primary school, a quarter will drop out before finishing.⁷⁶ The children most at risk of missing out on basic schooling are those who are marginalised, poor and socially excluded. They include:

- **Girls.** In 2005 girls accounted for 57% of children under eleven who did not attend school worldwide.¹⁰⁵
- **Children in rural areas.** High rates of poverty, demands for child labour, poorly educated parents, and the remoteness of some villages from a classroom mean that children in rural areas account for eight out of ten of those not in primary school.¹⁰⁶

- **Children in conflict areas.** More than 27 million children living in war zones and areas of conflict have no formal education.¹⁰⁷
- **Children in communities affected by HIV and AIDS.** Children orphaned by AIDS are less likely to attend school.¹⁰⁸ The supply of educators has also been badly hit by the pandemic. Two thirds of teachers in Zambia have been lost to AIDS.⁸⁶
- **Children living in poverty.** Many children are too poor to go to school. One in every six children worldwide has to work.¹⁰⁹
- **Children in sub-Saharan Africa.** Nearly 80% of children missing out on primary school live in sub-Saharan Africa.¹⁰⁶ Just over a third of children in this region do not get a primary education.¹⁰⁶

More than a third of children in sub-Saharan Africa do not get a primary education.



Photograph supplied by Justin Canning/Comic Relief Ltd

An estimated extra \$7bn–\$17bn per annum is needed to get all children into primary school by 2015.

Only half of the world's children are in education after the age of 15,¹¹⁰ and the gap between rich and poor countries is growing: while primary school completion rates in poor countries are beginning to catch up with those of rich countries, the global gap in secondary school attendance has grown over the past 40 years.¹¹¹ Only one in eight young people worldwide is enrolled in further or higher education. In developing countries the number is half of this (1 in 16).¹¹²

Even those fortunate enough to attend school are not necessarily learning.¹⁰⁴ A shortage of textbooks, class sizes averaging 44 pupils per teacher (in sub-Saharan Africa) and poorly trained teachers, mean that the quality of education in the developing world is often low.¹¹³

Roughly one in every four adults worldwide cannot read or write.¹¹⁴

Why does education matter?

On average an extra year of basic education among the population boosts a country's growth rate by 0.4%.⁷⁶ Increasing the share of women with a secondary education by 1% increases annual per capita income growth by 0.3 percentage points.¹¹⁵ This is a substantial amount considering that per capita gains in developing countries rarely exceed 3% a year.¹¹⁵

Education also increases personal wealth. World Bank studies have shown that an extra year of education beyond their country's average boosts girls' future wages by 10–20%.¹⁰⁷

But the benefits are not just economic; children who finish primary school are twice as likely to stay free of HIV and AIDS as those who do not.¹¹⁶ Girls' education is particularly pivotal to the welfare of their communities. Mothers who finish primary school have fewer, healthier children who are twice as likely to live until their fifth birthday.¹¹⁷ Female education also empowers women, reducing domestic violence and female genital mutilation, and increasing women's political participation.¹¹⁷

Major responses

Governments and multilaterals

Education has been high on the official international development agenda for nearly two decades, with the major focus being the achievement of universal primary education (UPE). This was the initial goal set by the Education For All (EFA) movement, founded in 1990, spearheaded by the UN and the World Bank, and funded by many donor countries

including the UK. It is also one of the Millennium Development Goals (MDGs), to be achieved by 2015.

In Dakar in 2000, EFA donor countries pledged that 'no country seriously committed to basic education will be thwarted in the achievement of this goal by lack of resources'.¹¹⁸ To this end a Fast Track Initiative was set up in 2002 to provide extra help to low-income countries not on target to achieve UPE by 2015. Governments of countries such as Niger receive direct technical and budgetary support from donor governments, enabling them to abolish school fees, train teachers and monitor schools' progress. This scheme has had some success; in the past five years donor assistance to Niger has nearly quadrupled from \$10m to \$39m per year, and primary completion rates increased from 26% in 2002 to 36% in 2005.¹¹⁹

However, donations made by governments have fallen short of promised levels. Many donor countries have been reluctant to contribute the money needed to fulfil the pledge they made at Dakar, and an estimated extra \$7–17bn per annum is still needed to get all children into primary school by 2015.¹¹⁶

Since 2000, girls' education has become a priority for official donors, with gender parity in education featuring as both an EFA and MDG target. However, progress has not been as fast as hoped: achieving gender parity in primary and secondary education by 2005 was the first MDG target to be missed, falling short in 90 countries.¹¹⁶

The 2005 report of the Africa Commission emphasised the importance of teaching science and of investing in universities, earmarking \$2.5bn for this in spending proposals.¹⁰² However, basic education remains highest on the priority list of most official aid distributors, as this is where the highest social returns are thought to be gained.

There is some concern that this emphasis on basic education has resulted in insufficient attention being paid to secondary, tertiary and adult education.⁹⁵ A report for the Children's Investment Fund Foundation states:

*'Adult literacy has been demonstrated as a critical positive variable in many other development indicators but it usually receives minimal resources in national budgets and lacks powerful international supporters. This is an important gap which awaits an effective champion to emerge.'*¹²⁰

There is also concern that, in the drive for increased access to education, quality has

fallen by the wayside. A report by the World Bank Independent Evaluation group in 2006 called for the World Bank and development partners to resist the temptation to 'increase access first and improve learning outcomes later' arguing that basic knowledge and skills—not school attendance alone—are key to reducing poverty.¹⁰⁴

Private donors

Given that governments and multilateral agencies have invested heavily in increasing enrolment rates, some private foundations have decided to concentrate instead on improving the quality of education. Most notably, on the back of Tooley's research, the Orient Global Foundation recently set up an \$100m Education Fund to focus on private education in developing countries (see Box 13).

At the close of 2006 two of the biggest US foundations announced a joint \$60m programme to improve the quality of global primary and secondary education. The Bill & Melinda Gates Foundation and the Hewlett Foundation will support and evaluate pilot projects in areas such as student literacy and teacher quality. They will work mostly in sub-Saharan Africa and South Asia, where official efforts have improved enrolment rates but the quality of learning is lagging behind.¹²¹

Foundations have also invested considerably in improving tertiary education. In 2000, four large US foundations launched the Partnership for Higher Education in Africa. The Carnegie Corporation of New York, the Ford Foundation, the MacArthur Foundation and the Rockefeller Foundation have since contributed at least \$150m to building core capacity and developing special initiatives in order to strengthen higher education in six African nations. In 2005 the Hewlett Foundation and the Andrew W. Mellon Foundation joined the partnership and the six donors pledged \$200m for the next five years. A major initiative to supply cheaper and more reliable internet access to grantees was also announced in 2005.

Some private donors also seek to maximise the impact of official efforts to achieve education

for all. The Hewlett Foundation, for instance, supports the advocacy work of the Basic Education Coalition and the Global Campaign for Education, both of which are alliances of NGOs campaigning for increased funding for education.

Charitable activity

Non-governmental organisations (NGOs) work towards the achievement of education for all by putting pressure on governments to keep their promises. The Global Campaign for Education, for example, has dozens of member organisations that campaign for governments to deliver on global basic education. The campaign is conducted on the basis that free primary education is a UN-agreed universal human right that governments are obliged to protect.

Some NGOs such as ActionAid campaign across a broader spectrum of education issues, including gender equality in education.

A vast number of NGOs also devise and implement services to improve education directly, or to help children get to school. The next section details the types of activities undertaken by charities to improve education.

Box 13: Private education for the poor

Parents in developing countries do not want to send their children to free public schools where teachers neither turn up nor teach well. They would rather send their children to fee-charging private schools where teachers are accountable to them through the school principal. These are the surprising findings of recent research conducted in India by Professor James Tooley.¹³

Some 60% of the schools he identified in the poorest areas of Hyderabad were private. Although often tiny, the classes were full and the teachers were present and teaching—a finding less common in the public schools he encountered. And this showed up in the results. Pupils in private schools were found to do better than those at their public equivalents, and at less than half the cost per pupil.¹³

These findings are not confined to India. Tooley confirmed them in China, Ghana, Kenya and Nigeria and the World Bank confirmed many of them in Pakistan.³¹ The implications are vast. Funding small-scale private schools in poor areas (for scholarships, expansions, improvement of teaching methods etc) may in fact do more good than paying for the expensive extension of free public school.

Options for private giving

Overcoming barriers to education

There are many barriers to children getting to school. Fees are a big deterrent—children have to pay for primary school in 89 of the 103 developing countries with available information—as are other costs such as uniforms, school meals and transport.¹⁰⁷

Sending a child to school also often presents great ‘opportunity costs’ to families who will lose the income they would have received if the child was working (or the domestic help they would have received if the child stayed at home).

Donors could support initiatives to:

- cover the cost of fees, uniforms, meals and transport (especially for vulnerable children—see Box 14);
- tackle low family income so children do not have to work;

Box 14: The Mango Tree: supporting orphans in Tanzania

In Tanzania only 52% of orphans (who have lost both parents) go to school, compared with 71% of children whose parents are alive. Although primary school is now free, many children who have been orphaned by AIDS are banned from attending because they cannot afford the necessary uniform and shoes. None can pay the secondary school fees of about £50 a year.

The Mango Tree enabled 4,208 orphans to go to school in 2005 by providing them with uniforms, stationery packs and school fees. The school uniforms are made for £2 each by orphans trained by The Mango Tree on vocational courses.

Box 15: ActionAid: innovative adult education

In 1993, ActionAid designed and pioneered an adult education tool called REFLECT (Regenerated Freirean* Literacy through Empowering Community Techniques). It is a unique approach to adult education, combining literacy with encouraging adults to participate in their communities and play a part in development. Through drawing, drama, story-telling and songs, adults are encouraged to articulate their views on social, economic, political and cultural matters.

It has been much-emulated, and is now employed by over 350 organisations in 60 countries as a way of teaching adults to communicate at the same time as empowering them to take part in society.²¹ An evaluation of REFLECT projects in El Salvador, Uganda and Bangladesh showed that over 60% of adults were literate after one year, compared to an average of 25% of adults in other literacy programmes.²⁷ In two of the projects, participants became more involved in the community, with 66% of participants in El Salvador taking up posts in community organisations (eg, chair of the Community Council). Participants felt empowered and in many instances took actions to improve their communities. Children’s school attendance improved in Uganda and participants reported being more aware of health issues.²⁷

- provide scholarships for private and tertiary education (the Student Sponsorship Programme, for example, provides scholarships for talented pupils from disadvantaged backgrounds to attend private schools in South Africa);
- alert parents to the importance of education and empower them to demand it;
- teach children in unstable settings such as refugee camps;
- educate children who have missed out on school to get them up to speed (eg, Pratham has helped over 160,000 children across 21 states in India to become literate); or
- bring education to those who are not catered for by the mainstream education system eg, adults or pre-school children (see Box 15).

Supporting schools and teachers

Sufficient, good quality resources are crucial for education. Helping children get to school can have only a limited effect if there are no trained teachers or books there when they arrive, and no way of measuring whether they are learning. Donors could help to:

- train teachers;
- increase incentives for teaching in rural areas;
- build classrooms and facilities;
- provide educational material, books, computers and teaching and writing materials (eg, Camfed provides educational materials to support rural girls through secondary school in four sub-Saharan African countries);
- build up certain areas of the curriculum eg, science and maths in secondary schools;
- develop pedagogical innovations (see Box 15);
- assist educational entrepreneurs to build chains of private schools in poor areas;
- sustain or develop a particular educational institution (eg, a university—see Box 18); or
- improve the quality of education through funding research, evaluations and the development of performance indicators.

*The Freirean approach to adult literacy education bases the content of language lessons on learners’ cultural and personal experiences.



Photograph supplied by Gary Moyes/Comic Relief Ltd

Influencing governments

Non-profit organisations can improve education levels, either by offering services themselves or by attempting to influence government provision. Securing a change in government policy can have a great impact: when the Tanzanian government abolished primary school fees in 2002, enrolment doubled. Raising public awareness can also bring about changes in society.

Donors could support initiatives to:

- lobby governments in developing countries for educational reforms (eg, train more teachers, abolish fees);
- lobby multilateral organisations (eg, the World Bank) and donor governments for increased aid and debt relief;
- raise awareness amongst the public to increase demand for services;
- provide technical assistance to governments in developing countries as they reform education systems; or
- campaign against child labour (see Box 16).

Box 16: Pratham: tackling child labour

Child labour prevents thousands of children in India from going to school. Alongside its core work providing intensive courses for children who have been 'left behind' or 'left out' of education, Pratham has campaigned to stop child labour in the embroidery industry in Mumbai. It played a leading role in bringing about policy changes in 2005, which led to the return of an estimated 20,000 ex-child labourers in Mumbai to their home villages in Bihar, Bengal and other states.



Photograph supplied by Nick David/Comic Relief Ltd

Funding mechanism

NGOs carry out many of these activities, and supporting an NGO will often be an appealing route for donors to take. However, donors might also consider supporting research institutes or social enterprises, partnering with businesses, or implementing a programme directly.

Education in South Africa

South Africa's public education system accommodates 11.6 million students and employs over 340,000 teachers in over 26,000 schools.¹²² It receives a large slice of government funding—5.4% of GDP—but still struggles with the legacy of apartheid, when the segregated schooling system denied the majority of South Africans proper education.¹²³ There are also 1,098 registered independent or private schools and 22 higher education institutions.¹²²

School is compulsory up to age 15, when students matriculate. The government has recently undertaken to make school more affordable for the poor by creating 'no fee' primary and secondary schools, but the majority of schools still charge fees.

In comparison with other sub-Saharan African countries, South Africa has high school enrolment rates. In 2004, 89% of primary school-aged children were in school. However, this figure represents a decrease since 1999, when 93% of children were in primary school. Enrolment figures decline as children get older: 62% of children attend secondary school and only 15% of young people are in tertiary education.¹²⁴

Quality is a serious concern, with a 2006 report by the Institute of Justice and Reconciliation concluding that 80% of schools offer education 'of such poor quality that they constitute a very significant obstacle to social and economic development.'¹²⁵ As a result, literacy and numeracy levels are dire; 82% of students enrolling in tertiary education are functionally illiterate, while just a third of nine year olds can read and write at the level set out in the national curriculum.¹²⁶ Reasons put forward for the low standard of education include gross under-investment during apartheid, the under-education of teachers, inadequate maths and science provision, the effect of HIV and AIDs, and the prevalence of violence in schools.¹²⁷

The retention of teachers is also a serious problem. Morale is low due to poor conditions in many schools; an average of 20,000 teachers leave the profession every year, compared with only 6,000 taking up the vocation.¹²⁵

Children and young people living in areas particularly deprived during apartheid, such as Eastern Cape, KwaZulu-Natal and the rural province of Limpopo, fare much worse than average. In 2004, for instance, 71% of 15 year olds passed the end of secondary school matriculation exam¹²³ but in some schools in formerly deprived areas the pass rate is as low as 25%.¹²⁷

Box 17: Tomorrow Trust: supporting orphans through college

The Tomorrow Trust supports post-secondary education for orphans affected by HIV and AIDS in one province of South Africa (Gauteng). It provides food and transport allowances for students attending university or college, and young people doing apprenticeships or pursuing other further qualifications. It also runs holiday schools for 16–18 year olds to improve academic achievement, focusing on English, Zulu, Afrikaans, Mathematics, Science and Accountancy.

Non-profit sector

South Africa has a strong non-profit sector that employs nearly 8% of the country's non-agricultural workforce. Only a small proportion—5.6%—of non-profit organisations (NPOs) work in the education and research sector, compared with 23% in social services.¹⁰⁰

However, education is a popular cause for private donors. South African education NPOs receive 60% of their funding from private donors, and education is the most popular cause among corporate funders. Over 90% of companies with CSI policies invest in education.¹⁰⁰

The most popular interventions among corporate donors are supporting maths, science and technical education, giving bursaries, supporting information technology, and supporting early childhood development. Teacher training and development—once the top corporate priority—has seen a popularity slump and now receives only 9% of funds.

Non-profit organisations are particularly central to pre-primary and basic adult education, both of which have historically been under-funded by government.¹²⁸

Examples of charitable activity

Overcoming barriers to education

As in other developing countries, many charities and foundations focus on getting vulnerable groups into education. These include girls, children orphaned by AIDS, rural children and poor children (see Box 17). Many corporate donors take a particular interest in providing support for students to enter tertiary education, as it is accessible to far fewer young people than primary and secondary school, and corporations are reliant on an educated workforce. Corporations giving bursaries for tertiary education include Alexander Forbes, Mintek and Sasol.

Supporting schools and teachers

Due to the costs involved, private donors usually fund infrastructure (eg, building classrooms, facilities) in conjunction with government. The diamond extractor De Beers, for instance, has contributed R16m (£1.1m), matched by R16m from the Department of Education, to upgrade school facilities in the province of Limpopo, including building 29 classrooms, 92 toilets and 16 water tanks.¹²⁹ The CIDA Campus (see Box 18) is an exception, being a wholly privately funded higher education institution for disadvantaged students.

The provision of educational materials and equipment is another important area of work for charities and private donors. Biblionef, for instance, has distributed 250,000 books since its inception in 1998, reaching 1.5 million pupils. Dell has contributed R3m (£212,000) of IT equipment to CIDA, as well as equipping its ConnectLab, which, in 2004 alone, trained 1,500 students to be call centre agents, 80% of whom were offered jobs afterwards.¹³⁰

Private donors and charities also train teachers and build up the curriculum. Amalgamated Bank of South Africa (ABSA) trains maths and science teachers (see Box 19) and also educates pre-school teachers on child development theory, HIV and AIDs and how to create their own teaching materials.

Box 18: Community and Individual Development Association (CIDA) Foundation

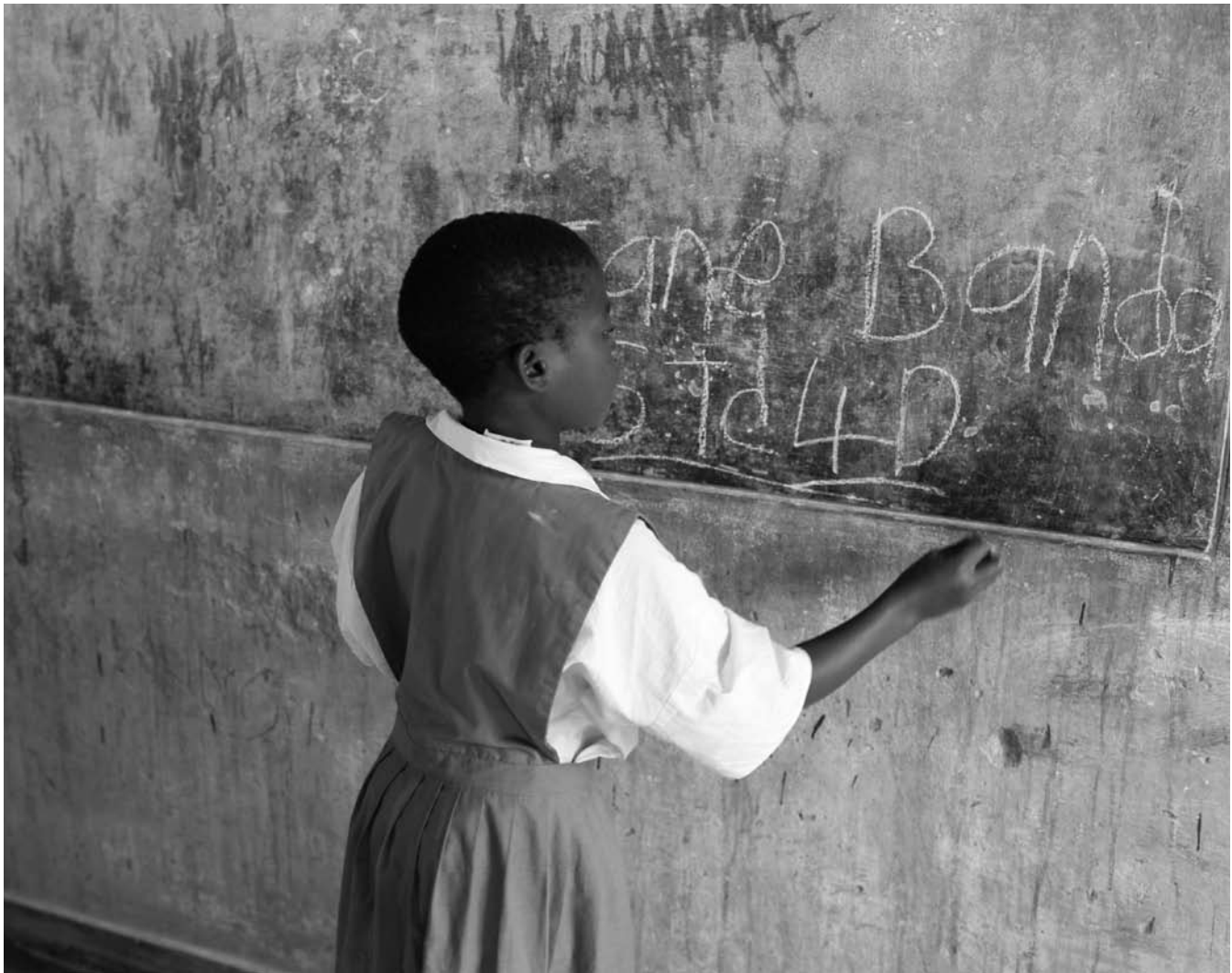
According to CIDA, only one in every hundred young South Africans will graduate from university, yet skilled workers are critical to the growth of the economy.⁷

CIDA City Campus in the centre of Johannesburg offers four year Business Administration degrees to socially and economically disadvantaged South Africans for a fraction of the price of other universities. The institution is privately funded and 70% of students receive scholarships to cover living costs.⁷ The foundation claims to deliver 'empowerment you can quantify'. It calculates that a R30m (£2.1m) investment in the foundation would fund 1,200 CIDA students and inject an estimated R3.6bn (£254m) into the South African economy over 40 years.²⁹

Box 19: Amalgamated Banks of South Africa (ABSA)

An estimated one in four maths teachers in disadvantaged schools in South Africa is under-qualified.⁵ A dearth of properly trained maths and science teachers means that many learners, mostly from rural and previously disadvantaged communities, continue to fail these subjects. Not only are these children prevented from entering high-paying professions, but the country is deprived of the engineering, science, IT and financial skills required for a healthy future infrastructure and economy.

Amalgamated Banks of South Africa's (ABSA) CSI programme develops science and maths in secondary schools. In 2002 ABSA invested R3.8m (£268,000) in training 1,690 primary and secondary school teachers, having a direct impact on 195,000 pupils. It also undertook a project in partnership with 15 NGOs, which involved mentoring teachers, producing classroom materials and tracking the progress of teachers and pupils.⁵



Photograph supplied by Nick David/Relief Comic Ltd

Influencing government

Non-profit organisations in South Africa seek to influence government policy on a range of issues such as adult education (campaigning for greater expenditure) or girls' education.

UNICEF, for example, was influential in persuading the government to establish the Girls' Education Movement (GEM) in South Africa in 2003. GEM is a programme designed to give girls equal and safe access to education and to promote gender equality. It includes measures such as putting a suggestion box in schools where children can anonymously report sexual abuse (40% of rapes in South Africa are

committed against children), and supporting and encouraging young women interested in having careers in maths, science or technology (the 'Technogirls' projects). Since the government first adopted GEM, UNICEF has helped the National Department of Education to scale up the programme to all nine provinces.¹³¹

Health

The need

Gaps in global life expectancy have widened over the last decade. In Japan a girl born in 2004 can expect to live to 86; in Zimbabwe she is likely to be dead by the age of 34.⁴² This is because standards of health in many developing countries are actually dropping: in sub-Saharan Africa death rates are now on a level not seen since the European plagues in the Middle Ages.¹⁰

Infectious diseases such as HIV and AIDS, tuberculosis and malaria are the main culprits. Together, these three diseases kill over six million people a year.¹³² However, complications in pregnancy and childbirth also continue to cause a great many deaths.⁴⁵ A quarter of all deaths in the world have some link to environmental factors, most obviously those linked to unclean water and lack of sanitation.¹³³

Hunger and malnutrition exacerbate illnesses as they weaken people's immune systems, leaving them vulnerable to infections. Malnutrition, caused by lack of clean water and food, contributes to over half of child deaths in developing countries, and has decreased little since 1990.¹³⁴ Furthermore, malnutrition in the first two years of life is irreversible. In fact, hunger is seen as the gravest threat to the world's public health.¹³⁵

The causes of death and ill-health are largely preventable, or at least treatable, but not without trained doctors and nurses. An acute shortage of health-care workers is crippling the health services of developing countries, compounding the effects of illness and malnutrition. According to the UN, over four million extra health-care workers are needed if essential provisions, such as immunisations, are to be delivered.⁴⁴ Many health professionals are lost in a 'brain drain' to developed countries.

With such overwhelming physical health problems, mental health is often treated as secondary—most middle and low-income countries devote less than 1% of their health expenditure to mental health.¹³⁶ In Laos there are two psychiatrists to serve the entire population of 6.5 million.^{137, 138} Yet mental, neurological and behavioural disorders cause immense suffering. Depression is the leading cause of disability worldwide.¹³⁹

Major responses

Governments and multilaterals

The greatest driver of global concern and action about health in the last decade has been the HIV and AIDS pandemic. Since the International AIDS Conference in Vancouver in 1996, when



Photograph supplied by Justin Canning/Comic Relief Ltd

scientists unveiled evidence of the effectiveness of antiretroviral drugs (ARVs), aid to tackle HIV and AIDS has increased greatly. By 1999, total official donations for health-related programmes (including HIV and AIDS treatment) in sub-Saharan Africa had reached \$865m, up more than tenfold in just three years.¹⁴⁰ One of the most significant investments has been the US President's Emergency Plan For AIDS Relief (PEPFAR): in 2003 George Bush announced a \$15bn five-year plan to combat HIV and AIDS in 15 countries.

Roughly \$300m of aid is earmarked for basic nutrition each year, compared to some \$2.2bn for HIV and AIDS.¹³⁵ This is despite the fact that malnutrition causes more deaths than HIV and AIDS and that the research is increasingly showing that tackling malnutrition would be the most effective use of aid money for health.¹³⁵

HIV and AIDS, tuberculosis and malaria together kill over six million people each year.

Box 20: Absolute Return for Kids (ARK)

In South Africa, ARK builds up the infrastructure of the health service to enable it to deliver antiretroviral (ARV) treatment for HIV and AIDS. This ensures that fewer children are orphaned by HIV and AIDS by keeping their primary care givers (usually mothers) alive.

It provides funds to provincial government to substantially and rapidly increase the number of patients receiving ARVs. It also sends 'SWAT teams' of doctors, nurses, pharmacists and other key personnel to set up and run treatments at new government health sites. These teams not only provide health services, but also build the capacity of provincial governments by helping to put systems and processes in place. On sites where 'SWAT teams' work, ARVs can be rolled out 6–12 months earlier than would otherwise be possible through government.

In 2004 only
2% of health aid
went to health
infrastructure.

Many donor countries have a range of interventions tackling specific diseases or problems. These are often aimed towards meeting the health-oriented MDGs, which relate to nutrition, child mortality, maternal health, environmental health (eg, clean water and sanitation), HIV and AIDS, TB and other infectious diseases. Programmes to tackle these health problems range from DFID's £128m national polio eradication programme in India, to the Canadian International Development Agency's \$30m a year support for the micronutrient initiative. Some donors, such as the United States Agency for International Development (USAID), have programmes in all these areas.

However, there is growing recognition that, if health is to be sustainably improved, donor governments also need to invest in developing countries' health systems as a whole. In many instances the focus on individual diseases has created parallel health systems that have weakened overall health sectors and lowered life expectancy.¹⁴⁰ Many see investing in basic health infrastructure and funding medical education and training as the key to improving health.^{10, 141}

This recognition has not yet been matched by action. In 2004 only 2% of health aid went to health infrastructure, down from 3% in 2000.¹⁴² Since then official agencies have begun to prioritise funding in this area, but investments remain relatively small. In 2006 USAID announced a \$125m award to strengthen health systems in developing countries—this is small in comparison to its \$1.2bn pledge to tackle malaria a year earlier.

On top of individual efforts, donor countries cooperate with each other through roughly 90 global health initiatives.⁴⁰ These include the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFATM), the Global Alliance for Vaccines and Immunisations (GAVI) and Grand

Challenges in Global Health (GCGH) which promotes scientific breakthroughs.

Government and multilateral donations to improve global health totalled \$13.5bn in 2004.¹⁴² However, growth in health aid from 1993 to 2004 lags behind growth in total official aid.¹⁴² The World Bank has announced that, with populations in the 50 poorest countries expected to double by 2050, an extra \$25 to \$70bn per annum is needed.¹⁴³

Private donors

The Bill & Melinda Gates Foundation far outstrips any other private foundations in its expenditure on improving global health. The Gates Foundation has so far granted \$7.8bn to global health initiatives, primarily in the areas of preventable diseases and scientific research. It funds a huge range of programmes ranging from research into neglected diseases, to the development of needle-free vaccines, to in-country programmes to prevent deaths from diarrhoea.

The foundation's commitments to Global Health Partnerships rival and even exceed those of donor governments. It has pledged \$1.5bn to the Global Alliance for Vaccines and Immunisations (GAVI) for example, surpassing all other donors. It is also a supporter of the Global Fund to fight AIDS, Tuberculosis and Malaria.

In 2006 the William J. Clinton Foundation's HIV and AIDS initiative (CHAI) spent nearly \$30m bringing treatment to HIV-positive children in developing countries. The initiative was spearheaded and initially funded by the Children's Investment Fund Foundation (CIFF), which remains the lead funder. CHAI negotiates with pharmaceutical companies to lower the costs of drugs and diagnostics. So far the price of paediatric ARVs has dropped from \$567 (in 2004) to \$60 (in 2006) for first-line treatment.⁸⁴ By partnering with governments CHAI enables large-scale treatment programmes to be implemented, especially targeting children in rural areas. Other foundations with HIV and AIDS programmes include the Elton John AIDS Foundation and Absolute Return for Kids (see Box 20).

Other private foundations, such as the Swiss-based Novartis Foundation for Sustainable Development, have diverse global health initiatives. In 2006 it invested in computer-based learning programmes for medical staff, psychosocial treatment for children orphaned by AIDS, and increased access to malaria treatment in Tanzania. In 2007 the foundation plans to spend \$5.4m on health initiatives.¹⁴⁴

However, lack of coordination between donors providing aid (both official and private) is a big issue in the health field. Along with the 90 global health initiatives there are 40 bilateral donors, 26 UN agencies and 20 global and regional funds.⁴⁰ A lack of cooperation results in high administrative costs for governments and duplication of work.

Charitable activity

NGOs working in the health field deliver a wide range of services from education on how to stay healthy, to treatment for infectious diseases and training for health-care workers.

However, charities' roles go far beyond service delivery. Organisations such as Save the Children and Oxfam campaign on issues such as making health care free in developing countries. They also act as watchdogs. In 2002 Save the Children pointed out potential conflicts of interest for GAVI, which has vaccine manufacturers sitting on its board, and criticised GAVI's approach to immunisation. It published recommendations on how GAVI could contribute to immunisation in a more equitable and sustainable way.

Charities also support the sector through research and technical advice. FIND Diagnostics, for example, is developing new, more efficient, ways of diagnosing sleeping sickness, malaria and tuberculosis.

Options for private donors

Helping individuals and their families

There are many ways of providing direct support to people suffering from ill health. This is important where, as in so many places, government provision is inadequate due to a lack of resources, lack of capacity, or the under-prioritisation of an issue. Donors could support initiatives that:

- administer drugs eg, ARVs to treat HIV and AIDS (see Box 20);
- provide treatment and surgeries, eg, for blindness or cleft palate (see Box 21);
- provide home-based care to those affected by ill health (eg, HIV and AIDS patients or children orphaned by AIDS);
- run a child vaccination programme for diseases such as yellow fever;
- educate people on how to prevent the spread of diseases such as diarrhoea;
- provide general health care and check-ups;
- distribute micronutrients for malnourished children;
- help to develop food gardens; or
- implement sanitation projects (eg, installing toilets at schools).

Box 21: Sankara Eye Society: gift of vision

Sankara runs weekly outreach camps in India to identify people suffering from curable blindness including corneal blindness, cataract, glaucoma and other eye ailments. It provides patients with medical and surgical treatment, free of cost. Patients brought to the base hospital are provided with free transportation, accommodation, surgery, post-operative medicines and food.

Over the past three decades, Sankara has conducted over 4,175 rural screening camps, screened 2 million children and performed over 274,000 sight restoring surgeries.



Photograph supplied by Justin Ganning/Comic Relief Ltd

Building the health infrastructure

Building health infrastructure can help developing countries to provide sustainable health services to their people. Trained health workers are urgently needed. Ethiopia, for example, has only 21 nurses for every 100,000 people. In comparison, the US has 900 nurses per 100,000 people.¹⁴⁵ Donors could support initiatives such as those to:

- train health workers;
- build and run hospitals; or
- build the capacity of government health services (see Box 20).

Societal change

Behaviour and attitudes can have a great impact on people’s health. Measures such as condom use, for example, can curb the spread of infections. However, in many societies women do not have the power to negotiate for the use of condoms or to refuse sex, and as a result are at greater risk of infection. Donors could support initiatives such as those to:

- promote gender equality; or
- educate children and adults to change behaviour and attitudes (see Box 22).

Box 22: Ubuntu Education Fund

Over five million South Africans are infected with HIV and AIDS. Those most at risk are young, sexually-active people between the ages of 13 and 25, who account for over 60% of new HIV infections in South Africa.

Ubuntu is a charity operating in the townships of Port Elizabeth, home to 400,000 people, where there is an HIV prevalence of 34% among pregnant women. Its health workers provide education in order to prevent the spread of HIV and AIDs, and to alleviate its impact. They lead interactive lessons in 22 schools reaching 13,500 children every second week. Topics include withstanding peer pressure, preventing sexually transmitted infections such as HIV, avoiding unplanned pregnancy, accessing health services, gender equity and relationships, and living with HIV and AIDS.

Box 23: The Bill & Melinda Gates Foundation

The Malaria Vaccine Initiative (MVI) was set up in 1999 with a grant from the Bill & Melinda Gates Foundation, which has now donated over \$250m to the initiative.

MVI is trialling and developing a possible malaria vaccine, RTS,S, which has been shown to reduce severe malaria in a substantial percentage of children aged one to four. If trials continue to go well, it hopes to licence the RTS,S vaccine as early as 2011. Although RTS,S was recognised as a potential vaccine two decades ago, it was put on the backburner because it did not fit with corporate priorities. The Gates Foundation’s investment has been crucial to the development of this potential vaccine.²³

Global support

As disease and disability know no borders, many health problems need to be solved on a global scale. Donors could support initiatives such as those to:

- lobby governments to legislate on air pollution;
- negotiate drug prices and patent laws;
- search for cures or vaccines (see Box 23);
- lobby governments in the developing and developed world to tackle the ‘brain drain’ of health workers;
- research into effective practice; or
- negotiate for or develop lower-cost treatment.

Funding mechanism

NGOs carry out many of these activities, and supporting an NGO will often be an appealing route for donors to take. However, donors might also consider supporting universities, research institutes or social enterprises, partnering with businesses, or implementing a programme directly.

Health in Tanzania

Need

Standards of health in Tanzania are in crisis. Over the last two decades, life expectancy has dropped by eight years, from 52 to 44. This has erased gains made during the 1970s and early 1980s, and brought life expectancy for its 38 million inhabitants back to 1960s levels.¹⁰

HIV and AIDS is the main culprit. Eight per cent of the population is infected,¹⁰ and the disease accounts for 140,000 deaths a year, or 24% of losses in Disability Adjusted Life Years (DALYs).¹⁰ Tuberculosis and acute respiratory diseases are the next biggest killers; they account for 13% of losses of DALYs, while



Photograph supplied by Simon Clark of Eyebox/Comic Relief Ltd

malaria accounts for a further 10%. Many women and children die from maternal and perinatal conditions, which account for another 10% of losses of life years.

The impact of Tanzania's primary causes of ill-health could be dramatically reduced if appropriate diagnosis and treatment were available.

The supply of drugs, such as ARVs for the treatment of HIV and AIDS, has increased substantially in recent years, but there is a great shortage of health-care workers who can diagnose patients and prescribe appropriate drugs. The Consultants, McKinsey argue that a lack of trained doctors, nurses and other health workers is the primary obstacle to better health care in Tanzania.¹⁰

Tanzania is considerably worse off than its neighbours. Kenya has twice the density of skilled health workers as Tanzania, and South Africa has 20 times more physicians and clinically skilled doctors.¹⁰

By 2010 it is estimated that GDP will have decreased by 15–20% due to HIV and AIDS alone.¹⁰

Government response

The Tanzanian government began health sector reforms in 1993 and a revised National Health Policy was completed in 2002. As a result, no Tanzanian lives more than 10km from some form of health-care centre. However, while the buildings are there, many facilities lack the staff and medical equipment to provide effective health care.

Non-profit sector

The number of registered NGOs in Tanzania has increased rapidly. In the decade between 1990 and 2000 it rose from 41 to over 10,000.¹⁴⁶ Faith-based organisations (FBOs) and NGOs are responsible for around 40% of primary health-care services in Tanzania, and up to 60% in rural areas.¹⁴⁷ Nearly half of total health-care funding comes from donors of some sort (including foreign governments, multilaterals and private foundations).¹⁴⁸ Some of the main issues under the NGO spotlight are medical staff training and health education on topics such as sexual and reproductive health, HIV and AIDS and malaria.

Charitable activities

Helping individuals and their families

Some NGOs in Tanzania directly treat those who are suffering from ill health. The Tanga AIDS Working Group (TAWG), for example, visits families affected by HIV and AIDS (see Box 24).

Many organisations also take a preventative approach, undertaking vaccination programmes or providing education on how to stay healthy. UNICEF, for example, holds Child Health days in Tanzania every three months in villages such as Msangani in east central Tanzania. Children and parents are taught how to avoid diarrhoea by boiling water and washing hands, and children are immunised.

Health infrastructure

To overcome its shortfall in staff levels, by 2015 Tanzania needs to increase its number of health workers by 35,000.¹⁰ Foundations and NGOs working in this area aim to improve the quality and availability of training for doctors, nurses and other health workers.¹⁴⁹

The Touch Foundation has ambitions to drastically improve Tanzania's medical training capacity. It is the primary funder of Weill Medical College of Bugando University (see Box 25).

Box 24: Tanga AIDS Working Group (TAWG)

TAWG is a collaboration between traditional healers and modern physicians, set up in the port of Tanga, to supply alternative, cheaper solutions to HIV and AIDS than imported ARVs. Using herbs identified by the Lushoto Herbarium, TAWG provides a home care service for people with HIV and AIDS. They supply plant remedies to increase appetite and treat opportunist infections. Through the home visit system staff also monitor the health of patients and provide counselling for the families involved. TAWG receives support from Oxfam, USAID and the World Bank. Since starting in 1990 it has cared for over 2,000 patients, currently treating around 400.¹⁹

Box 25: The Touch Foundation: supporting medical students

Tanzania currently has a huge deficit of trained doctors, nurses and other health-care workers. A trained health-care worker can save the lives of an estimated 350 people during his or her lifetime, and training a local health professional is seven times cheaper than hiring one from abroad.¹⁰

McKinsey conducted an in-depth study of the Tanzanian health-care system and concluded that the principle bottleneck to producing more health professionals is training capacity rather than the availability of students. In Tanzania 1,000 qualified students apply to medical school each year but only 200 are admitted. The Touch Foundation was subsequently formed by McKinsey principals to double Tanzania's training capacity, boosting the total number of student doctors, nurses and other health-care workers from 9,000 to 18,000 by 2015.

The majority of the Touch Foundation's funding goes to the Weill Medical College at Bugando University, one of five medical colleges in Tanzania. Touch Foundation has increased the number of medical students at Weill Medical College from 10 in 2003 to 115 in 2006, and has also built student dormitories and incorporated hundreds of paramedical students such as trainee lab technicians. From 2007 onwards it aims to widen its work, using what it has learned at Weill Medical College to help other training centres improve their capacity and upgrade their training quality.¹⁰

Other, smaller training programmes also exist. Since 2001 Kilimanjaro Christian Medical, in conjunction with the Northumbria Healthcare NHS Trust, has trained a range of specialised health professionals. This has included training 22 health professionals in wound management, 15 in theatre nurse skills and 13 doctors and nurses in the prediction of foetal age. They have also introduced a BSc in Physiotherapy.¹⁵⁰

Skillshare International also trains health-care workers, but concentrates on training local people to provide basic health services to their own communities. In 2004 it set up a project with the Uru North Community Development Trust (UNCODET) in Northern Tanzania. The partnership trained 30 residents as Community Health Professionals (CHPs) to work in their own villages and upgrade the health care available in collaboration with trained dispensary staff. CHPs conduct house-to-house visits, which have led to an increased demand for condoms from women and the enrolment of more women in family planning clinics.¹⁵¹

Tanzania has only six public-sector psychiatric nurses and as a result professional treatment is scarce. Basic Needs have a care worker training programme to increase the availability of professionals to treat people with mental illnesses. With partner organisations they have treated over 1,600 patients.¹⁵²

Box 26: Population Services International/Tanzania

PSI/Tanzania aims to stop the spread of HIV and AIDS and malaria in Tanzania. It raises awareness of the diseases through the media, advertisements and road shows. It also increases the number of condoms and malaria kits (containing nets sprayed with insecticides) made available. Sex workers, miners, truck drivers and migrant workers are specifically targeted for HIV and AIDS prevention, while malaria work is targeted at mothers with young children. Since the programme was established in 1993, PSI/Tanzania has prevented a possible 4.5 million episodes of malaria and 272,000 possible unintended pregnancies.²⁰

Societal change

Several INGOs have collaborated with the Tanzanian government to improve health education. These include Voluntary Services Organisation (VSO), CARE International,¹⁵³ and Save the Children, which has joined forces with the Ministry of Health and Education to provide information on sexual and reproductive health.¹⁵⁴

There are several organisations attempting to minimise the spread of HIV and AIDS and other infectious diseases by raising public awareness. Population Services International Tanzania, for example, focuses on malaria and HIV and AIDS (see Box 26).

The Campaign for Female Education (Camfed) is also involved in tackling the prevention of HIV and AIDS. Young women health activists trained by the organisation gave information on how to stay healthy to 71,200 young people in Zimbabwe, Zambia, Ghana and Tanzania in 2005. This included essential facts about HIV and AIDS.¹⁵⁵

Influencing government

Many charities have tried to improve health care by applying pressure to local and national governments.

In 2002, HelpAge International involved older citizens from the northern city of Arusha in lobbying the government for free health care for the elderly. The campaign was successful; free health care was funded by the government's Community Health Fund. HelpAge continues to campaign, hoping to ensure that every new government will include free health care for the elderly in its agenda.¹⁵⁶

The Tanzania Gender Networking Programme (TGNP) also lobbies the government for increased health-care provisions. In 2003 it successfully lobbied the Ministry of Health to include the provision of drug supplies for pregnant women in budget guidelines. The drugs prevent the transmission of HIV and AIDS from mother to foetus.¹⁵⁷

Microfinance

The need

Nearly half of the world's population lives in poverty. 2.8 billion people survive on less than \$2 a day, of whom 1.1 billion are extremely poor, eking out an existence on under \$1 per day.¹⁵⁸ Women are more likely to be poor than men—nearly 70% of the world's poor are female.¹⁵⁹

Traditional banking institutions are beyond the reach of the vast majority of the world's poor. They do not have the collateral needed to get loans and often live far from the nearest bank. It is estimated that 80% of people who could benefit from financial services such as loans or savings accounts still do not have this option.¹⁶⁰

As a result many poor people have no choice but to go to informal and often exploitative money lenders—who can charge up to 3,000% interest—if they need capital to make a large purchase, start a small business or deal with an emergency, such as a family illness.

What is microfinance?

Microfinance is the provision of small-scale financial services, such as loans, savings and insurance, to poor people who would not otherwise have access to them. Microfinance institutions (MFIs) can exist in a variety of forms such as credit unions, commercial banks and NGOs.

The most common product is a micro-loan, typically of under \$200, and the customers are predominantly women. Some MFIs also provide non-financial services such as business training,

education and healthcare alongside financial services.

Microfinance is no longer a 'micro' industry. In 2006 the total outstanding loan portfolio of MFIs worldwide reached \$30bn.²⁴ In 2005, 3,133 microfinance institutions reported reaching 113 million people, of whom 82 million were among the poorest (in the bottom half of those living below their country's poverty line or living on less than \$1 a day) when they started with the programme. This data is self-reported, but third parties were able to verify the participation of 64 million of the poorest people.¹⁶¹

Most MFIs (73%) are very small, serving fewer than 2,500 people. Only 2%, or 49 organisations, have over 100,000 clients.¹⁶² Several of the largest are concentrated in Asia, including the microfinance programmes run by the Bangladesh Rural Advancement Committee (BRAC) and the Association for Social Advancement (ASA) in Bangladesh, which have almost 10 million clients between them.²² The balance sheet of a medium-large Ecuadorian MFI is shown in Box 27 by way of example.

2.8 billion people survive on less than \$2 a day.

There are over 3,000 microfinance institutions around the world.

Box 27: Example balance sheet and borrower information: FINCA Ecuador 31/12/2006 USD¹

Gross Loan Portfolio:	\$25,015,021
Total assets	\$27,975,214
Total savings	\$4,152,573
Total equity	\$9,429,313
Average loan balance per saver	\$489
Number of active borrowers	51,195
Percentage women borrowers	84.40%
Portfolio at risk >30 days ratio	1.72%
Write-off ratio	0.61%



Photograph supplied by Victoria Dawe/Comic Relief Ltd

Microfinance programmes offering training and other non-financial services are better at bringing social benefits.

Does microfinance work?

Microfinance has shown that the poor can save, borrow, pay interest and repay loans. Many MFIs report repayment levels on the loans they advance of 97% or more.¹⁶³

However, there is no global study examining whether or not microfinance is effective in reducing poverty, bringing social benefits or empowering women—some of the claims made for it. The evaluations that do exist (of specific MFIs or countries) do not form a conclusive body of evidence, with concerns raised over methodologies, and proponents and critics of microfinance alike finding material to furnish their arguments.

Some researchers argue that ‘generalised conclusions cannot and should not be drawn’.¹⁶⁴ Many different services are offered under the banner of microfinance, from commercially-oriented, minimalist financial services for the working poor, to financial services combined with other forms of support (education, business training, legal services), which use groups to build the organisational capacity of the poor. Quality varies greatly, as does the context in which services are delivered, and the aims of MFIs. This makes generalisations about the global effectiveness of microfinance difficult. However, some trends can be found.

Evidence of a positive impact is strongest in relation to increased income and reduced vulnerability to emergencies and financial shocks. In 2002 an analysis of existing microfinance studies concluded that ‘while the quality of many studies could be improved, there is an overwhelming amount of evidence substantiating beneficial affect’ in these two areas.¹⁶⁵

However, increased income is not guaranteed. A recent study looking at the impact of microfinance in India, Zimbabwe and Peru found gains in household income relative to non-participants in India and Peru. But in Peru this was only the case for new, not existing, borrowers, and in Zimbabwe there was no positive effect on household income.¹⁶⁶

Microfinance programmes that offer training and other non-financial services are better at encouraging business growth and bringing social benefits (eg, better family health, better educated children) than those that do not.²⁸ This is because poor clients often need financial education and business training in order to successfully run microenterprises.¹⁶⁷ It is unlikely that increasing income will have a positive impact on health unless key practices, such as eating nutritionally rich foods and washing hands, are also taught and implemented.²⁸ There is also evidence that social impact is likely to be greatest when lending to women.¹⁶⁸

Many proponents of microfinance argue that it empowers its women clients. There is some evidence that microfinance can give women more control over household assets and resources, more autonomy and decision-making power, and greater access to participation in public life.^{164, 169} The effect seems to be greater when loans are channelled through women’s groups rather than made directly to individual women.¹⁷⁰ However, some studies have suggested that men often have a large degree of control over women’s loans.¹⁷¹

To have any lasting social or economic impact, MFIs must be reasonably well-run—MFIs that go bust provide few sustainable benefits to their clients. According to consultancy Unitus, collapse is not uncommon for MFIs; of the 3,000–10,000 MFIs in existence, it predicts only 250 will still be operating in five years time.¹⁷²

It is widely agreed within the microfinance industry that most MFIs should try to become at least operationally self-sustainable (able to cover their operational costs out of interest and service charges).¹⁷³ Unitus assists a number of MFIs in this quest. Becoming independent of potentially unpredictable donor funding helps MFIs to become more stable and offer a lasting service to their clients. It can also mean that MFIs become more efficient and adopt good banking practices.¹⁷⁴ Research suggests that for ‘high performing programmes’ achieving operational self-sustainability can be compatible with serving the poorest clients.¹⁷⁵

Other factors that can help MFIs to deliver lasting, efficient services include having well trained staff, having access to capital,¹⁶⁰ offering savings¹⁷⁶ and specialising in microfinance.¹⁷⁷

There are a number of organisations that evaluate MFIs, which donors may find useful. Micro-Credit Ratings (www.m-cril.com), Planet Rating (www.planetrating.com) and MicroRate (www.microrate.com) rate MFIs on financial, managerial and governance criteria. The Microfinance Information eXchange (MIX) Market (www.mixmarket.org) provides detailed profiles on nearly 1,000 MFIs around the world. Evaluations and impact studies are included in MIX Market profiles where they have been performed.

Some critics argue that microcredit is the wrong tool to alleviate poverty and promote economic development. Thomas Dichter, a development practitioner, is among those forming a backlash against loans for the poor. He argues that economic growth and jobs in big companies—not microcredit and micro-enterprises—offer the best way out of poverty.¹⁷⁸ Aneel Karnani, writing in the *Stanford Social Innovation Review*, agrees, arguing that jobs and large businesses are what worked for ‘the North’ and are currently working for developing countries such as China.¹⁷⁹

However, others, such as the World Bank argue that microfinance *can* create jobs and promote economic growth. An independent evaluation of a World Bank sponsored microfinance programme in Bosnia and Herzegovina found that it had a positive effect on the creation and registration (formalisation) of businesses. Client businesses employed an average of 2.1 people, meaning the programme created or sustained over 200,000 jobs.¹⁸⁰

Some commentators suggest that in order to fuel economic growth, MFIs in developing countries need go beyond lending to microenterprises (often one or two person outfits) to also funding small- and medium-sized enterprises (SMEs) employing 10 to 250 workers. Many developing countries suffer from a 'missing middle', with large conglomerates and microenterprises but little in between. The presence of SMEs has been shown to correlate positively with development.¹⁸¹

Major responses

Charitable activity

NGOs have driven the microfinance industry over the last three decades. Seeking innovative ways to tackle poverty, early pioneers began making small loans to the poor in the 1970s. Among the first were ACCION International, established by a law student in Brazil in 1973; Grameen Bank, started by Professor Muhammad Yunus in Bangladesh in 1976; and Opportunity International, which began in Indonesia and Latin America in 1971.

Opportunity International, ACCION and Grameen Foundation are now part of a small cohort of specialised international microfinance NGOs. Others include PlaNet Finance, the Foundation for International Community Assistance (FINCA), Freedom from Hunger and the World Council of Credit Unions (WOCCU). Multi-sector NGOs such as CARE, Oxfam, World Vision and Plan International are also involved in microfinance, devoting anywhere from 2 to 20% of their operating budgets to financial services for the poor.¹⁸²

NGOs can help bring microfinance to the poorest and most vulnerable people. BRAC, for instance, has an 'Income Generation for Vulnerable Groups' programme in Bangladesh. This project offers free food, training, health care and savings to destitute women. So far 660,000 women have graduated from this programme to BRAC's mainstream microcredit programme.¹⁸³ NGO-affiliated MFIs often offer non-financial services such as health education and business training along with financial services.

In June 2007 almost half of the MFIs listed by the MIX Market were non-governmental. However, the microfinance organisations set up by, or partnered with, an NGO may not necessarily have NGO status themselves. For

example, of Opportunity International's 41 partners (all but one of which were set up by Opportunity) 66% have NGO status, 12% are classed as banks, 10% are regulated non-banking institutions, 5% are non-regulated non-banking institutions and 5% are cooperatives and credit unions.²² A problem with NGO MFIs is that they are often not regulated to take savings.

NGOs are also involved in microfinance on other levels. They play crucial roles as consultants (eg, providing technical assistance or capacity building), as researchers, as training bodies and as information providers. Some organisations also lobby governments for policy environments that are more conducive to the development of microfinance.

Governments and multilaterals

Multilateral and bilateral development aid agencies commit \$800m to \$1bn per annum to microfinance.¹⁸² Loans to governments and other intermediaries are the main way in which multilateral and bilateral agencies fund microfinance. Funds often pass through a local government agency and/or a regional apex fund (a second-tier organisation that channels funding to multiple MFIs), before reaching retail institutions. Only 2% of multilateral funding for microfinance goes directly to MFIs.¹⁸²

In many countries, such as India and Indonesia, non-governmental or commercial MFIs were initially set up as an alternative to poorly performing government 'microfinance': state-subsidised lending to the poor, which was often characterised by a culture of non-repayment. Loans made by the Integrated Rural Development Programme in India during the 1980s and 1990s, for example, had an estimated repayment rate of only 25–33%.¹⁸⁴ However, governments in many developing countries have now become part of the new wave of microfinance, delivering their own programmes and funding both non-governmental and commercial MFIs.

Multilateral and bilateral development aid agencies commit \$800m to \$1bn to microfinance each year.



Photograph supplied by Des Willie/Comic Relief Ltd

Box 28: Opportunity International UK

Opportunity International is a global network of microfinance charities. It consists of five 'support partners' raising funds in the developed world, and 45 'implementing partners' in developing countries. The following is an example of how a grant from a UK donor was used.

A £55,000 grant to Opportunity International (OI) UK provided approximately half of the funds needed for Opportunity Ghana to cover the fixed costs of starting up a new branch in the town of Suame. Opportunity Ghana was able to use this donation to attract other sources of income—it generated match funding of £171,453 from other UK donors, and used the total donations of £221,453 to borrow a further £118,283.

OI estimates that the branch will provide insurance for at least 5,000 lives, mobilise the savings of 1,500 people and enable 2,400 entrepreneurs to create and sustain employment. The branch will also provide financial education such as business planning training. Opportunity studies show that a loan to one poor entrepreneur can impact four additional people (such as dependents, employees) therefore loans to 2,400 entrepreneurs could affect the lives of 9,600 others.

Governments are responsible for the policy environment in which MFIs operate, and as such can partly determine whether microfinance flourishes or flounders. Governments that cap interest rates, for example, may prevent MFIs from charging interest rates high enough to be sustainable. Government regulation of MFIs can help ensure accountability and sound practice.¹⁷⁷

The private sector

Some in the microfinance industry believe that the private sector has a central role to play in the future of microfinance. Pierre Omidyar, founder of eBay, and microfinance consultants Unitus are among those who argue that, in order for microfinance to reach large numbers of people on a permanent basis, it must be commercialised.

This is known as the 'financial systems' approach to microfinance. Its proponents argue that philanthropic donors can only ever hope to offer MFIs a fraction of the capital that they could potentially gain from having access to formal capital markets, and charging for services. They hope that profitability will allow commercial MFIs to scale their operations quickly, transforming microfinance from 'an interesting niche into a ubiquitous service'.¹⁸⁵

Pierre Omidyar goes further, arguing that philanthropic money damages the microfinance industry. In his view it distorts the microfinance market, preventing more people from being reached by filling channels that might otherwise draw commercial investors, and keeping 'unsuitable' programmes alive.¹⁸⁶

Commercialisation has become increasingly common in microfinance. Many not-for-profit MFIs have converted into banks over the past 15 years and microfinance banks have also been started afresh with donor funding. One of the oldest non-profit microfinance networks,

ACCION International, provides intensive technical assistance to its non-governmental partner MFIs so that they can convert into regulated financial institutions and receive commercial loans.¹⁸⁷

There is also movement in the other direction. Existing financial institutions such as commercial banks and insurance companies are beginning to develop financial services for the poor. This is prompted by the recognition that microfinance can be profitable: certain MFIs in Kyrgyzstan, Bangladesh, Indonesia and Peru (FINCA, ASA, BRI, and MiBanco respectively) have a higher return on investment than their country's most profitable traditional banks.¹⁸⁸ Citigroup has set up a microfinance business division to serve this untapped market, stating that '40% of the world is beyond the world we know'.¹⁸⁶

However, attempts to commercialise microfinance have caused controversy. Some such as Muhammad Yunus, the founder of Grameen Bank, argue that this model will fail to serve the poorest.¹⁸⁶ There is some foundation to this argument: evidence shows that, unless the poorest are specifically targeted, they are unlikely to benefit, and they are less likely to be targeted by commercial MFIs as outreach and administering very small loans is costly.¹⁸⁵ Those who enter microfinance for commercial gain have also been accused of profiteering from the poor.

Commercial capital investment in microfinance is growing; cross-border investments tripled between 2004 and 2006, reaching US\$1.4bn.¹⁸⁹ Included in this figure is the quasi-commercial lending of international financial institutions (IFIs), the private sector arms of multilateral and bilateral agencies (eg, the World Bank's International Finance Corporation). IFIs are an important source of funding for microfinance organisations. MFIs currently receive over two thirds of microfinance funding from IFIs.¹⁹⁰ At the close of 2005 IFIs had a collective outstanding microfinance loan portfolio of \$2.3bn.¹⁹⁰

Private donors

In 2004 private donations were estimated to make up 0.5% of the total funds available for microfinance.¹⁷² However, donations have increased since then. The Bill & Melinda Gates Foundation alone has contributed £76m to financial services for the poor since it began working in this area in 2005.¹⁹¹

Other foundations involved in microfinance include the Ford Foundation and the Michael and Susan Dell Foundation. Pierre Omidyar has also made a substantial contribution to the microfinance industry, donating £100m to his former university, Tufts, on the condition that the university would use the donation to make commercial loans to MFIs, and use the returns for its own purposes.¹⁸⁶

Many banks are involved in microfinance as part of their Corporate Social Investment programmes. Citigroup Foundation, for example, has contributed nearly \$40m in the last seven years to microfinance organisations and activities.¹⁹² Deutsche Bank supports microfinance by making low interest loans to MFIs through its non-profit Microcredit Development Fund.

Donors can fund organisations that support MFIs by offering services such as staff training, technical assistance and product development. The Open Society Institute, for example, funds the Microfinance Management Institute, which trains managers of MFIs. The grant funding offered by private donors is particularly crucial for non-profit organisations, which provide training and support to MFIs.

However, many donors also see a role for themselves in funding MFIs themselves (whether through networks or directly). Donors might cover the costs of expansion, the provision of non-financial services such as training and education (eg, an HIV and AIDS programme), increasing outreach to the poorest, adding a new product or carrying out an evaluation.

Donors supporting a new branch might also cover start-up costs (eg, buildings, equipment), operational costs (eg, staff salaries) or provide initial capital for on-lending.

Some donors choose to fund MFIs through regional apex funds when MFIs appear too small or numerous for a direct funding relationship. This hands the time-consuming task of selecting an MFI to a local institution. However, there are problems with apex funding. Apex funds can have difficulty finding enough good MFIs to fund that meet their selection criteria on factors such as governance and depth of outreach. As a result apex funds in countries such as Kenya and Pakistan have more money than eligible MFIs to fund.¹⁹³ Apex funding can help good MFIs, but usually cannot create good MFIs or turn badly performing MFIs into good ones.

Intermediaries that combine high quality technical assistance with financing, such as some microfinance networks, are said to perform much better than those that provide funding alone, and are probably a better option for donors.¹⁹⁰

Options for private donors

Mechanisms

Private donors can support microfinance initiatives through a variety of routes. The most common are:

- funding a network of MFIs (eg, Opportunity International, Freedom From Hunger, FINCA);

Box 29: PlaNet Finance

PlaNet Finance operates in 33 countries providing consulting and technical assistance to MFIs, microfinance networks, banks, apex institutions, microentrepreneurs and governments. It also finances MFIs, and its partner organisation, Planet Rating, promotes transparency among organisations involved in microfinance.

Its consultancy and technical assistance services are diverse. For example, in the Central African Republic in 2006 PlaNet Finance trained 60 staff members from 20 MFIs in management techniques. In Kenya PlaNet Finance helped an MFI to select and implement a professional Management Information System (MIS) in order to offer its clients new services such as savings and money transfers. In Southern Sudan PlaNet Finance carried out a need and feasibility study with a view to setting up a new MFI.

In total PlaNet Finance delivered 66 technical assistance programmes in 2006, and the PlaNet Finance group supported close to 7 million microentrepreneurs.²⁴

- partnering directly with an MFI;
- donating to a wholesale 'apex' fund that finances various MFIs in a certain region (eg, the Microfinance Investment Support Facility for Afghanistan); or
- funding 'technical implementers' that offer capacity building, advice and technical assistance to MFIs. These include:
 - o non-profit microfinance networks and consultants (Accion International, Unitus, Grameen Foundation);
 - o training institutes (eg, The Microfinance Management Institute); and
 - o independent consultants or consulting firms (eg, Microfinance Services).

Some of the microfinance networks and consultants mentioned above (eg, ACCION, Unitus) also help MFIs to access commercial finance. They do this by offering loan guarantees and acting as a link between MFIs and local and international capital markets.

Box 30: Freedom from Hunger: credit with education

Freedom from Hunger uses microfinance with adult education and training to combat hunger. Education on health and nutrition is provided at weekly meetings (eg, breastfeeding, immunisation, diarrhoea prevention), along with business training. Credit with Education was pioneered by Freedom from Hunger in 1988 in West Africa and is now being delivered by partner MFIs in 16 countries. All programmes must become locally owned and operated and operationally self-sustaining.¹⁴

It is one of the few microfinance models that can demonstrate social impact. A study of Credit with Education in Ghana, delivered by Lower Pra Rural Bank, has shown increases in children's nutrition relative to non-participants. It also showed increased food security, with the percentage of participant families who had experienced a period without enough food cut in half among programme participants over three years (compared to no change among non-participants). A study in Bolivia, where the standard of education is poorer, is more equivocal.²⁸

Box 31: Sarvodaya Economic Enterprise Development Services (SEEDS): funding solar home systems

Microfinance is not just for entrepreneurs. In Sri Lanka, SEEDS, an MFI belonging to development NGO Sarvodaya Group, provides loans for the purchase of solar panels. This benefits the environment and the poor.

A rural family using a solar home system (SHS) instead of burning kerosene for light (as 60% of rural Sri Lankans did in 1998 when SEEDS started the programme) prevents the emission of 0.75 tonnes of carbon dioxide per family per year. SEEDS has financed around 55,000 SHSs to date.

It also saves families money in the long term. The average rural Sri Lankan family spends 19% of their income on energy. After the loan has been paid off (at a maximum cost of 6 years and 8 months' worth of kerosene), families will have considerably more income available for other things. Some are also able to use their SHSs for business purposes, offering mobile phone charging to others, or reliably lighting food stalls.

SEEDS has a 98% repayment rate and received a prestigious Ashden Award for Sustainability in 2006. The awards are given to 'truly excellent, practical, yet innovative schemes, demonstrating sustainable energy in action at a local level'.²⁵

80% of India's
1.1 billion
inhabitants
live on less
than \$2
a day.

Activities

Start up/expansion

Start-up MFIs in areas with financially excluded populations rely on donor funding to get them going. Similarly, many poverty-focused MFIs will never generate enough of a profit to fund expansion. Donors could:

- fund new buildings and equipment (see Box 28);
- provide initial capital for on-lending; or
- fund the hiring and training of new staff.

Capacity building

A dearth of sound MFIs capable of absorbing funding is the main barrier to the expansion of microfinance in many countries.¹⁷⁷ Training and technical assistance enables MFIs to become more efficient and capable, while improving MFIs' capacity to evaluate. This will allow funders and MFIs to learn what works. Donors can improve the capacity, effectiveness and scale of MFIs by investing in options such as:

- building infrastructure (eg, IT);
- monitoring and evaluation to measure the progress of MFIs on agreed outcomes (eg, income growth, nutrition);
- staff training (see Box 29);
- technical assistance (see Box 29); or
- helping MFIs to receive commercial capital.

Supporting specialised programmes

Donors might want to consider supporting organisations to deliver specialised interventions such as:

- outreach to specific populations eg, the rural poor;

- providing non-financial services, such as training and education alongside financial services (see Box 30);
- offering a new or specialised product (eg, health insurance); or
- providing loans for a specific purpose (see Box 31).

Improving the sector

Despite the mounting interest in microfinance there is still a lack of broad and rigorous research as to whether, or in what circumstances, microfinance is effective. Donors could improve the tools and information available to those involved in microfinance by funding:

- robust international research into the effectiveness of microfinance (social and economic impact);
- the lobbying of governments for favourable legislative environments (eg, World Council of Credit Unions); or
- the development of new technology.

Microfinance in India

India is undergoing rapid economic growth and is host to a burgeoning middle class. Its GDP growth was 9.2% in 2006/2007,¹⁹⁴ compared with 2.8% in Britain.¹⁹⁵ Yet 80% of the country's 1.1 billion inhabitants continue to live on less than \$2 a day, and many fare much worse.¹⁹⁶ In 2005 29% of the population lived below the country's poverty line—meaning their entire income was not enough to buy sufficient food to be healthy. As a result, 47% of children are malnourished.¹⁹⁷

The microfinance sector in India began with a handful of non-governmental women's organisations in the 1970s. Amongst these organisations was the Self Employed Women's Association (SEWA), which set up SEWA Bank in 1974.

There are now an estimated 500–1,000 non-governmental MFIs, several hundred independent cooperative societies, and around two dozen finance companies providing services such as savings and unsubsidised loans to low-income clients.^{184, 198} In 2006 the Indian microfinance industry disbursed \$1.3bn worth of loans.¹⁹⁹

Despite these efforts it is estimated that fewer than 10% of those defined as poor have access to these formal or semi-formal financial services.¹⁹⁸

Government response

During the 1980s and 1990s the government ran what was once referred to as the world's

largest microfinance programme—the Integrated Rural Development Program (IRDP). It involved government-owned banks giving heavily subsidised micro-loans to the poor. However, it achieved limited success. Funds were misused and repayment rates poor because bankers saw the IRDP loans as government handouts and failed to follow up with borrowers. It was discontinued at the end of the 1990s.¹⁹⁸

But the government has not given up on microfinance. In 2000 it announced a fund of \$21m for the promotion of microfinance activities and it has several of its own microfinance initiatives. These include the microfinance offered by the Small Industries Development Bank of India (SIDBI), and the activities of the National Bank for Agriculture and Rural Development (NABARD), which is spearheading the promotion of direct lending to savings-led self-help groups (see charitable sector section) by commercial banks. Many state governments are also building government-supported self-help groups.

The government does not regulate the microfinance industry but it does frame the policy environment in which MFIs exist. Mutually aided cooperative societies (similar to credit unions) are only permitted in a few states, for instance. The government also has the power to cap interest rates. In 2006 microfinance institutions in Andhra Pradesh came under fire for allegedly driving farmers to suicide with exorbitant interest rates and forced loan recovery. The state government criticised MFIs and pressured them to cap interest rates at 15% per annum.²⁰⁰

However, MFIs accused the state government of trying to discredit them in order to increase the uptake of its own microfinance schemes. Interest rates of 21.5% per year (charged by SHARE, one of the affected MFIs), are not excessive given the high costs of administering loans, they argue.²⁰¹

Charitable sector

Non-governmental MFIs dominate the microfinance sector. They deliver microfinance in one of three different models: individual banking programmes (IBPs), where financial services are provided to individual clients; the Grameen model, which involves lending to individuals within joint-liability groups; and the self-help group (SHG) model, where loans are made to groups of 15–25 members, dependent on the volume of savings built up by the group. In India SHGs are the most popular model.

In the case of self-help groups, NGOs usually act as social intermediaries between SHGs and a bank. Rather than providing financial services



Photograph supplied by Justin Canning/Comic Relief Ltd

themselves, NGOs set up SHGs, which initially collect and lend members' own savings. The NGO then helps the group access bank loans and provides ongoing support.

There are some common characteristics across Indian microfinance models. Saving is encouraged in all, and is compulsory in SHGs and Grameen model microfinance.¹⁸⁴ Interest rates are usually in the range of 24–36%. Peer pressure is crucial to repayment, especially in group lending (SHGs and Grameen model) but also where members have savings invested in a credit union, and thus want to make sure it stays afloat. Training and education is often an important part of the meetings of SHGs and Grameen model groups.

Box 32: Bandhan: empowering women in West Bengal

Bandhan is a non-governmental MFI with over 300 branches aiming to reduce poverty and empower women in West Bengal, one of India's poorest states. It offers microcredit, loan repayment insurance and micro health insurance to self-employed women living in both rural and urban areas. It also provides health, education and disaster management services.

With advice and capital assistance from Unitus, Bandhan has grown rapidly. It has gone from serving 50,000 women in 2005 to just over 500,000 by 2007. Its average client earns less than \$46 a month and holds less than half an acre of land. Microcredit is offered to women within groups, charging 12.5% per annum, with a repayment rate of 100%.²²

Charitable activity

MFIs delivering financial services

India's 500–1,000 non-profit MFIs offer microfinance to poor clients, often in conjunction with other support (see Box 32). Some such as the Self Employed Women's Association (SEWA) Bank, focus on savings, while others such as ANISHA Microfin Association make insurance compulsory for members.

Some NGOs also provide newer products to the poor. There are currently at least seven

micro health insurance units in India, offering health insurance to poor people in an attempt to break the cycle of poverty and ill health.²⁰²

Specialised programmes

Non-governmental MFIs in India pursue a range of specialised interventions. Some target underserved populations. The Michael and Susan Dell Foundation, for instance, has launched a programme to bring microfinance to the urban poor in India (95% of microfinance currently goes to rural clients).²⁰³ Durbar Mahila Samwanaya Samitee, an NGO in Kolkata, also has a marginalised group in its sights; it helps sex workers access financial services (see Box 33).

Self-help groups are blossoming around the country, with hundreds of thousands in the states of Andhra Pradesh and Orissa alone. Groups sometimes consist of particularly disadvantaged people, for example in Orissa one group, Asha, is made up of low-caste women who have been abused by husbands or labour contractors. Anecdotal evidence suggests that being part of a group may lead to increased confidence, participation in local governance, involvement in managing schools and sharing political power with men.¹⁶⁹

Supporting the sector

NGOs play a crucial role in supporting MFIs to become more effective and increase their outreach. They offer capacity building, advice and technical support to MFIs (see Box 34). Some non-profit organisations also focus on developing particular products: the 'Strengthening Micro Health Insurance Units for the Poor in India' project, run by a consortium of NGOs, promotes health insurance for the poor.²⁰²

Box 33: Microfinance for commercial sex workers

In March 2007 India's largest private sector bank, ICICI, announced plans to offer microfinance to sex workers in Kolkata, eastern India, to offer them a way out of their profession. To do this it has teamed up with Durbar Mahila Samwanaya Samitee, an NGO working with 65,000 sex workers in and around the city.

Under the scheme, the NGO would form self-help groups (SHGs), comprising 10–20 sex workers. Through these SHGs, the sex workers would get access to finance.¹⁶

Box 34: Grameen Foundation

The Grameen Foundation has been active in India since 2000, and also works in many other developing countries. It aims to help MFIs that have outreach potential and strong business plans to become sustainable and grow. So far the total client base of its five Indian partner MFIs has grown from 49,000 to nearly 1 million.

Grameen offers technical assistance and advice to MFIs. It helps them to achieve full cost-recovery and profitability, and to use profits to provide better and more economical services to clients. The foundation is also piloting a unique 'Progress Out of Poverty' index to help MFIs to measure their social impact.¹⁸



Photograph supplied by Acton/Alc

There is no single way of conducting cross-border philanthropy. Private donors can give directly to charities in developing countries, to a UK-based charity working in developing countries or through an intermediary.

Numerous intermediaries have emerged since the late 1990s offering donors information, research, advice, training, online giving mechanisms, networks, ratings and mutual funds. These organisations are creating, testing and modifying services as the needs of donors become more apparent.

Whichever route is selected, there are certain good giving principles that should be taken into account. These include unrestricted multi-year funding wherever possible in order to give a charity control over its spending and more stability. They also include proactively selecting charities based on the results they achieve.

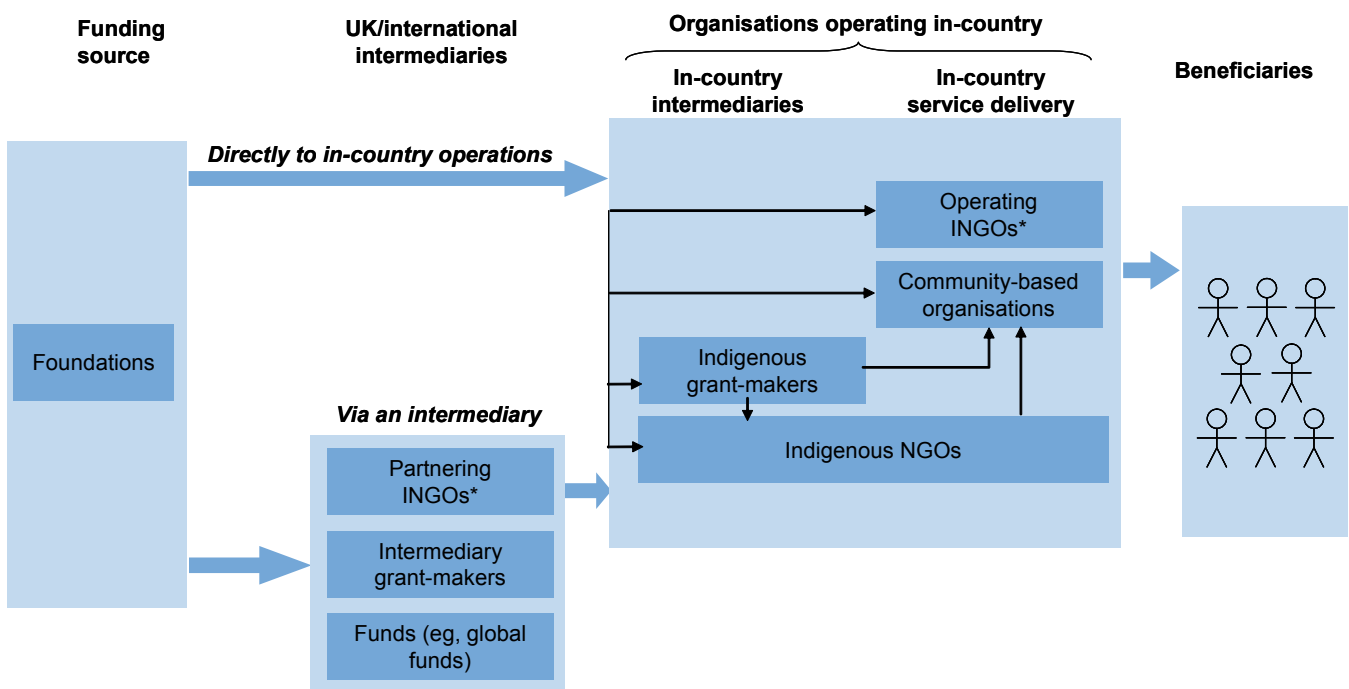
Route to the beneficiary

Funders rarely fund individuals directly. In almost all cases, funding will go to an organisation that works with people in less developed countries. Funds reach these 'in-country service delivery organisations' via a number of routes (see Figure 10). Broadly these are:

- **Direct funding to in-country organisations.** This is the simplest route, where funds flow direct from the funder to an organisation in the destination country delivering services. This could be an indigenous NGO or community-based organisation or an INGO.
- **Funding via an INGO.** INGOs such as Oxfam, Save the Children and ActionAid can act as intermediaries, using their knowledge of a country to select appropriate in-country organisations.
- **Using other intermediaries.** These could be other grant-makers; 'funds', where money is pooled and then distributed for a particular cause or geography; in-country intermediaries such as indigenous grant-makers (eg, the Kenyan Community Development Foundation) or large indigenous NGOs; or specialist advisors. Funding could even go via a governmental organisation such as the UN Foundation.

The most logical way to select a funding route would be to identify the most effective route for delivering benefit to beneficiaries. Unfortunately, there is no evidence to suggest one is better than another.

Figure 10: Routes to the beneficiary



*partnering INGOs: INGOs that fund in-country partners

*operating INGOs: INGOs that run programmes in-country themselves

70% of donors surveyed would be interested in research and advice on charities in developing countries.

NPC survey, April 2007

There are ways to fund international development where funds do not ultimately flow to an organisation that delivers services in a less developed country. For instance, funding a European-based advocacy organisation concerned with international development issues (eg, War on Want) or funding an umbrella or networking organisation that provides support to other organisations working in international development (eg, World Development Movement).

Funding international NGOs

Besides providing emergency humanitarian assistance and direct services in developing countries, most UK-based INGOs provide grants to partner organisations in the countries where they operate. This makes them grant-making intermediaries with years of experience in their areas of focus.

The proportion of expenditure that is re-granted to partners ranges from 10% through to almost 70%. Within organisations it varies significantly by country. One INGO re-grants 84% of expenditure in Latin America but only around 30% in Africa where the work is more 'humanitarian' and it employs more of its own staff. Similarly, the number of partners varies significantly by country from 2 to over 200 in the case of another INGO.

INGOs get the majority of their funding from individuals—over 90% in one case. However, at one INGO interviewed by NPC, less than 8% of revenue came from major donors (who give more than £10,000), corporates and grant-

making trusts combined. Giving from individuals largely consists of numerous small regular donations.

A study of 34 European ultra high net worth (UHNW) individuals and families (>\$100m in net assets) supported this finding. It found a wariness of supporting large charities with general funding. Philanthropists are concerned about the accountability of large institutions, operating costs and the ability to deliver.⁵⁰

*'He [an UHNW individual] has got his own structure and does not trust Oxfam and the others. I think if you are handing over a billion dollars it is different from USD100. They want to go and see how it is going.'*⁵⁰

All of the INGOs that NPC met with were actively trying to change this profile and recruit high-worth donors. Strategies for doing so include:

- appointing people with specific responsibility for cultivating such relationships (Save the Children recently recruited a 'Director of Philanthropy and Partnerships');
- appointing 'advisory' groups of prominent individuals and using their networks and influence to meet other high net worth donors;
- offering more personalised giving options eg, the ability to select by cause, country and partner and then choose projects to fund and have a personal link; and
- organising visits for donors to the projects in developing countries eg, ActionAid's 'immersion programme' and Unitus tours of microfinance organisations.

The INGOs are also looking to fundraise from individuals in developing countries themselves. ActionAid, for example, has started fundraising in India and Brazil and is planning for South Africa and other countries to follow.

Using intermediaries

What donors want

In a survey conducted by NPC, 70% of respondents (donors, corporates and intermediaries) claimed that they would be interested in research and advice on charities in developing countries.

During the interviews this need was further explored. In terms of research and advice, donors want:

- **Macro information:** where is the need and where is the money going at the highest level?
- Mapping of **issues**.



Photograph supplied by ActionAid

'NPC maps fields in the UK, there is no mapping of anything overseas. Issue maps should highlight what's going on in layman's terms: what are the policies, who are the big players etc.'

- **Micro information:** details of specific organisations and projects. The identification of grass roots organisations was particularly mentioned.
- 'Deal flow'—information on what to fund next and where.
- Independent analysis of efficiency of organisations.
- Information on what has worked.
- **Grants officers.** The idea of sharing grants officers with other funders was raised. 'I am working in a vacuum with no one to call and ask opinions on organisations'. Other than conducting research into the sector and various organisations within it, a grants officer could relieve the administrative burden of funding.

Other services were explored with donors:

- **Giving groups.** This idea had a mixed response. Nobody proactively mentioned it and a number of donors were not keen on the idea. Others were positive: 'There is lots to learn and I love learning initiatives'. The European study found that networks are important to philanthropists but they should be restricted to donors interested in the same field in order to be worthwhile.⁵⁰ As with NPC's sample, generalist philanthropic circles were seen to have less value to existing philanthropists.
- **Coordinating co-funding.** This was bought up unprompted by one respondent who said she would like to collaborate around uplifting a community ie, one funder focuses on health, one on education in a community. The reaction from others was again mixed.
- **Visits.** Many of the donors NPC met with said that they would like to be able to visit the organisations they fund in developing countries.

Available services

The number and size of intermediaries has been increasing since the late 1990s. Figure 11 lists a number of them based in the UK, US and a handful of developing countries.

Advisors

'The first dollars should be spent on information and advice.'⁵⁰

Over 90% of the sample of European high net worth individuals and families recognised the need for expertise in the philanthropic process. However, they felt a shortage of access to

Box 35: New Philanthropy Capital (NPC)

Founded in 2002 by a group of investment bankers, NPC provides independent research and advice on effective charities. To date, NPC's research has focused on UK-based charities. Research has been completed on over 25 social sectors ranging from older people to refugees and asylum seekers. NPC now employs 40 people and has annual costs of around £2.5m.

In its five years, NPC has given advice on just under £20m in donations to over 50 charities. However, its impact is broader than just the money it has moved. By publicly commenting on charities and charitable sectors and conducting cross cutting research, NPC has had an impact on charities and funders beyond specific grants. For example, NPC was involved in changes to The Big Lottery Fund's assessment, and funding of, the full costs of charitable projects. Through the process of analysing charities, it has helped many to think through and articulate their outcomes. It has also made introductions within and between sectors eg, the disabled children and life-limited children sectors are more integrated following NPC's research.

the right advisors and personnel to meet their needs.⁵⁰

'Because I have made money does not mean I am good at giving it away ... It is a completely different skill.'⁵⁰

Advice was most needed during the start-up phase and in the project selection and feedback stage of the philanthropic process.

Scorpio Partnerships recommends that advisors develop an international offering for Swiss and UK clients. Activities it recommends include employing 'desk heads' for specific regions and network with international peers/research institutes to expand knowledge. The German families it interviewed were keen to support local projects.⁵⁰

The market for charitable advisors has seen tremendous growth in recent years, albeit from a low base. The majority of this growth has been in the US, and most private banks there now offer some form of philanthropic advice. This is supplemented by dedicated advisory firms that focus solely on philanthropy. Rockefeller Philanthropy Advisors, for example, currently serves more than 150 clients giving around \$200m annually to more than 50 countries.²⁰⁴

Charities Aid Foundation (CAF) has been assisting donors in the UK for many years. A relative newcomer, NPC has a different approach consisting of advice based on publicly available analysis and research into the effectiveness of charities (see Box 35). Others entering the advisory market in the UK include Development Ratings, The Institute for Philanthropy and Geneva Global. A number of advisors are appearing across Europe too, such as WISE in Geneva and Active Philanthropy in Germany.

I have some small hopes that what I'm doing might encourage other very rich people thinking about philanthropy to decide they didn't necessarily have to set up their own foundations but could look around for the best of those that were up and running and available to handle their money.

Warren Buffet¹⁵

Figure 11 Sample of philanthropic intermediaries

Type	UK-based	US-based	Developing country
Advisors Research and advice on where and how to give	New Philanthropy Capital (NPC), Charities Aid Foundation (CAF), Development Ratings, Prism, Global Exchange for Social Investment (GEXSI), Connect for Change (to India), Asian Foundation for Philanthropy (to India)	Geneva Global, The Philanthropic Initiative, Rockefeller Philanthropic Advisors, Arabella Philanthropic Investment Advisors, Calvin Edwards & Co, Citigroup, Fidelity Charitable Gift Fund, JP Morgan, Merrill Lynch, Planned Giving Services, Global Giving, Give2Asia	India: Copal Partners, Dasra, GiveIndia, Charities Aid Foundation India, United Way India South Africa: GreaterGood SA, Charities Aid Foundation SA, TBS Consulting, Tshikululu, Whythawk Ratings, Trialogue, CSI Africa, Social Advantage
Exchanges Internet-based exchanges for donating to charities	Charity Choice, Give Foundation (to India)	GlobalGiving, UniversalGiving, WiserEarth, JustGive, Network for Good, Six Degrees, DonorsChoose (to schools), Give Foundation (to India), Give2Asia	Argentina: HelpArgentina Brazil: Atitude SSE India: GiveIndia South Africa: GreaterGood SA (SASIX)
Funds Organisations making grants to multiple charities	Kitchen Table Charities Trust (small charities in Africa), Shine (education in the UK), INGOS that regrant, HelpAge International	Global Fund for Children, Global Fund for Women, Global Green Grants, Unitus (microfinance), Women for Women International, International Development Exchange (IDEX)	India: CRY, Helpage India South Africa: Starfish (AIDS orphans), AIDS Foundation of South Africa
Information Databases of charities	Guidestar, Caritas, Charityfacts.org, Intelligent Giving	Guidestar, Idealist	India: ProPoor, Guidestar, IndianNGOs.com South Africa: Guidestar (under development), PRODDER, GreaterGood SA
Networks	Association of Charitable Foundations (ACF), The Funding Network (TFN), British Overseas NGOs for Development (BOND)	Grantmakers Without Borders, Council on Foundations (CoN), Funding Exchange, Global Philanthropists Circle, Global Philanthropy Forum, The Philanthropy Roundtable, National Network of Consultants to Grantmakers, African Grantmakers' Affinity Group	India: Credibility Alliance
Rating agencies		American Institute of Philanthropy (Charity Watch), Wise Giving Alliance BBB (Better Business Bureau), Charity Navigator	South Africa: Whythawk Ratings
Social investments Financial investment for a social and financial return (market-based solutions)	Bridges Community Trust (funds companies in poor areas of Britain), UnLtd (individual social entrepreneurs in the UK), Venturesome, Impetus, Charity Bank	Acumen Fund, Rockefeller Foundation's Program Venture Experiment, Calvert Social Investment Foundation, Social Venture Partners, New Profit Inc, Ashoka, Skoll Foundation, Investors Circle, International Development Enterprises	India: Aavishkaar, Network Enterprises Fund, Monitor India South Africa: Tembeka Social Investment Company

Project visits

Project visits are an important part of the service offering for many intermediaries. Not only are such tours helpful in getting donors to connect with projects and people but anecdotal evidence suggests that they also lead to increased giving. Of 19 participants who went to Ghana with the Institute of Philanthropy in November 2006, all said they would consider funding in Ghana despite none of them doing so before the trip.²⁰⁵

NPC conducts 'Seeing is believing' group trips to community centres, schools, prisons and other charity locations within the UK. Geneva Global has led group tours to Ecuador and Rwanda. Leader's Quest and Three Hands are both organisations that organise trips to developing countries that include visiting or working with charities there.

Exchanges and information

As with the other categories of intermediaries, the number of online information sites and exchanges is proliferating. Again, the US has the greatest number of both.

Interestingly, developing countries have to some degree led the way on social exchanges. The South African Social Investment Exchange (SASIX) run by GreaterGood SA, for example, allows individuals or companies to buy 'shares' in charitable projects that are reported on quarterly. Brazil has a similar model.

In the UK, the Charity Commission website contains information on all charities registered in the UK. Guidestar provides more detail on the charities. But it is only recently that online exchanges are appearing, with GlobalGiving planning to launch in the UK in 2008.

Networks

Networks in the UK are relatively easy for donors to access. Formal groups such as The Funding Network and The Institute for Philanthropy regularly bring donors together. A number of the private banks, notably Coutts, arrange regular donor events.

Service gaps

Donors appear satisfied with the 'mechanism' of grant-making; the majority of donors NPC interviewed had CAF accounts and used them to make international grants.

However, they have unmet needs in the start up phases of their philanthropy as well as for research and advice identifying good organisations in developing countries. There is little available.

CAF is developing themed funds of South African and Indian charities. Development Ratings is a small new organisation selling research on a limited number of charities in developing countries. Kitchen Table Charities Trust provides small grants to a number of charities in Africa. Alternatively, donors can search exchanges such as GlobalGiving or



Photograph supplied by Nick David/Comic Relief Ltd

Universal Giving to identify charities in their areas of focus.

All of these are new services. Most of the donors NPC met were not aware of any of them. Each of them provides some level of helpful information and service. Each has its limitations: inadequate coverage, no contextual research, little due diligence (with no site visits), grant requirements of specific sizes or for specific projects, no personalised service, non-public information or little opportunity for interaction. There certainly appears to be a gap in the market for solid research and advice on international charities.

Good giving principles

Whichever route to the beneficiary is used, there are a number of good giving principles that NPC recommends. These are based on observations of the 'market' for giving and how it impacts charities, often in a costly or adverse way. There is limited, but growing evidence that following these principles leads to better results for the people a charity works with.

- **Pro-active selection of charities based on results.** Donors should support charities that are achieving excellent results for the people that they serve, rather than charities that have the most effective and professional fundraising teams or the lowest administrative costs (all organisations need administrative costs in order to be effective; low a costs may in fact be a sign of an inefficient organisation).
- **'Light touch' engagement.** In most instances donors should minimise the demands on the time and resources of the charities they fund. In practice, this means not imposing arduous reporting requirements and limiting visits and contact with charities, but also consulting supported charities about the level of engagement that is best for them.
- **Funding organisations, not projects.** As a donor, it is tempting to stipulate that a grant can only be used for a particular project, because this makes it much easier to see the direct charitable impact of the donation. However, this practice can limit the

impact of the donation. Firstly, it may cause charities to propose projects that meet the donor's objectives but which stray from their core mission. Secondly, if circumstances change then charities are unable to respond. NPC therefore recommends that, in most instances, (particularly where the donor knows and trusts the organisation and the organisation is not very large) donors fund organisations, not projects. Practically, this means giving unrestricted funding.

- **Right sized donations.** Judging the right size for a donation to a charity is an art, not a science. If a donation is too big, there is a risk that rapid growth will create significant organisational problems, particularly when the donation runs out. At the other end of the scale, if a donor makes a small donation and requires a charity to go through application and reporting processes then the administrative burden may outweigh the benefit of the donation. Of course, small donations with no strings attached are always welcomed by charities.
- **Multi-year support.** NPC recommends that donors provide multi-year support for charities, rather than giving them a lump sum in a single year. Choosing the right length for a grant depends on the specific case—as a guide, grant-making trusts often give three-year grants. Multi-year support gives charity leaders the opportunity to make long-term plans to improve their organisations and build projects that will create and sustain improvements in the lives of the people they serve. It also allows donors to build longer term relationships with the charities, if they wish. In particular, multi-year support is most appropriate when making a large grant relative to the charity's income (eg, more than one third) or when supporting long-term change or campaigning work that may take time to show results.
- **Funding measurement.** Because of the widespread lack of funding for measurement and performance management, NPC believes that you should consider allowing a proportion of your giving to be dedicated to building this capacity among the charities selected for support.

Final word

This report has illustrated the role and importance of philanthropy in international development. It has provided examples of charities achieving excellent results in developing countries. It has also looked at the evidence around the effectiveness of philanthropy and considered some of the alternatives.

The range of individual, societal, national and global issues can be overwhelming to a first-time donor. Adding geographies into the mix makes deciding what to fund even more complex.

An effective giving marketplace

Imagine a world in which an effective marketplace for giving existed to ease this complexity. There was publicly-available evidence on what works and the impact of charitable, as well as private and state, projects. There was also evidence on which giving practices generated the best results. Donors were not frustrated by the lack of information or overwhelming complexities of the system. Rather they were galvanised and inspired to support life-changing initiatives. And they could see the impact that their donations had made.

Glimpses of this world exist. Much more is needed. Donors need information on which organisations and projects are tackling different issues in different countries. They also need evidence of the results of these activities. Online information sites and giving exchanges are beginning to bridge the information gap. But they are fragmented and, in most instances, do not show evidence of results.

Given the complexities that still exist, demand for advice on international charities appears to be growing. As does the supply of it by organisations of various types. A growing number of banks are enhancing their philanthropy offerings. And a new breed of advisors focusing on philanthropy has emerged, particularly in the US. Most of them conduct research into areas of need and identify grantees for their clients. They also provide ongoing monitoring of grants and support where needed.

What donors can do

For donors though there is currently no one-stop-shop. NPC recommends that donors select an issue or country that resonates with them and identify other funders in the area (including established foundations and other individuals). This may be done through attending network events, such as The Funding Network, or learning programmes like The Philanthropy Workshops run by the Institute for Philanthropy. Desk-based research to identify sub-issues, experts and other funders can also be done by the donor, or indeed, one of the philanthropic advisory firms. Donors with specific countries in mind may choose to join a facilitated trip to charities in that country.

Proactively identifying and selecting organisations to fund based on the results they achieve is the next step. It is at this point that donors with little time may wish to use the services of an advisory firm. Alternatively, exchanges such as GlobalGiving may provide, and facilitate the funding of, appropriate projects for the donor. Directing money through one of the larger INGOs or funds (such as the Global Fund for Children) is another way to reach interesting charities addressing issues of interest to particular donors.

When it comes to funding the selected organisations donors should consider the impact of how they give on the grantees. Wherever possible charities achieving good results should be supported on a multi-year, unrestricted basis so that they can plan ahead with a degree of stability. Funding the measurement of results is of benefit to the donor, the charity and the wider sector. As is sharing information on the impact of your funding.

Whatever process is followed, giving to charities can be extremely rewarding, especially in developing countries where even a relatively small amount can make an enormous difference. It can save lives, help people out of poverty and generally improve the situation for many millions of people. The amazing work that is being done all over the world deserves support. NPC encourages donors to explore giving beyond their borders and to take the next step in that direction. Few regret it.



Photograph supplied by Victoria Dawe/Comic Relief Ltd

Further reading

Below is a short list of books, articles and websites that may be of interest to donors wishing to explore the area of international development in more depth. Many more are provided in the references section of this report.

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Websites

Overseas Development Institute (www.odi.org.uk)—research reports, newsletters and blogs by a UK-based independent think tank on international development and humanitarian issues.

UK Department for International Development (www.dfid.gov.uk)—accessible information on DFID, the countries and programmes it funds and its research portal.

United Nations Development Programme MDG Monitor (www.mdgmonitor.org)—progress by country and goal towards the Millennium Development Goals.

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Derwent Charitable Consultancy	Jane Leek
Development Ratings	Peter Sorenson, Natalie Pinon
Elma Philanthropies	Bernadette Moffat (South Africa)
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Glossary

AIDS	Acquired immune deficiency syndrome
ARV	Antiretroviral drugs for treatment of HIV and AIDS
ASA	Association for Social Advancement (in Bangladesh)
BRAC	Bangladesh Rural Advancement Committee
CAF	Charities Aid Foundation
CSO	Civil society organisation There is no standard definition of a CSO. The Johns Hopkins Center for Civil Society Studies defines them as entities that are: <i>organisations</i> (they have some structure and regularity to their operations); <i>private</i> (they are not part of the apparatus of the state, even though they may receive support from governmental sources); <i>not profit distributing</i> (they are not primarily commercial in purpose and do not distribute profits to a set of directors, stockholders, or managers); <i>self-governing</i> (they are fundamentally in control of their own affairs); and <i>voluntary</i> (membership or participation in them is not legally required or otherwise compulsory). ⁴¹ They include charities, hospitals, universities, social clubs, trade unions, professional organisations, grassroots development organisations, environmental groups, self-help groups, religious congregations, sports clubs, community associations and many more.
CBO	Community-based organisation A non-profit organisation that is representative of a community or significant segments of a community, and provides services to individuals in the community.
CSI	Corporate Social Investment
DFID	Department for International Development The UK Government department responsible for promoting development and the reduction of poverty.
FBO	Faith-based organisation
FDI	Foreign Direct Investment Investment made by an individual or company in the productive capacity of a foreign country eg, the purchase or construction of a factory.
GAVI	GAVI Alliance (formerly known as the Global Alliance for Vaccines and Immunisation)
GDP	Gross Domestic Product Total value of the goods and services produced by a nation, within a set period of time (usually a year).
GMT	Grant-making Trust
GNI	Gross National Income Comprises the total value of goods and services produced by a nation (Gross Domestic Product), plus its income received from other countries (notably interest and dividends), minus these payments made to other countries.
HIPC	Heavily Indebted Poor Countries Nations with the highest levels of poverty in the developing world, which are subject to debt relief measures, initiated by the IMF (the HIPC Initiative), to reduce debt to sustainable levels. In order to be eligible to participate in the initiative countries have to meet a set of economic management and performance targets.
HIV	Human Immunodeficiency Virus
IBP	Individual banking programme
IFI	International financial institutions
IMF	International Monetary Fund
INGO	International non-governmental organisation (often used to refer to large NGOs operating in many countries eg, Oxfam)

MDG	Millennium Development Goal
MFI	Microfinance institutions
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organisation
NPC	New Philanthropy Capital
NPO	Non-profit organisation
ODA	Official Development Assistance Grants or loans to developing countries that are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms. In addition to financial flows, technical cooperation is included in aid. Grants, loans and credits for military purposes are excluded. Transfer payments to private individuals (eg, pensions, reparations or insurance payouts) are in general not counted. ²⁰⁶
OECD	Organisation for Economic Co-operation and Development
PEPFAR	The United States President's Emergency Plan For AIDS Relief. A commitment made in 2003 to provide \$15bn over five years for HIV and AIDS prevention, treatment and care in many of the poorest nations.
SHG	Self-help group
SME	Small- and medium-sized enterprises
TAC	Treatment Action Campaign
UN	United Nations
USAID	United States Agency for International Development

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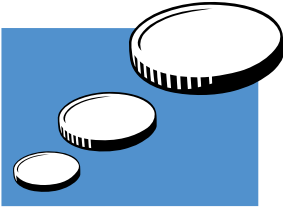
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