

[ **WORKING PAPER** ]

# Emerging Non-State Actors in Global Development: Challenges for Europe

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## Summary

As part of the broader research programme on how 'new actors in international development' might influence European development cooperation in the coming decade, this paper provides an overview of the engagement of three types of non-state development actors: private foundations, corporate philanthropies, and global vertical programmes. In discussing financial commitments, funding priorities, and implementation approaches of these actors, the paper identifies key issues for European donors to consider in developing a response to their growing presence in the development landscape.

One basic challenge in crafting policy responses to the rise of new non-state actors is the dearth of information that is available related to levels of financing, the geographical and sectoral distribution of resources, and the impact of interventions. This challenge is particularly evident in looking at the global giving efforts of corporations, and deficits concerning the role of European firms in the development cooperation landscape are especially large. This inadequate knowledge base is partly a reflection of the diffuse nature of private actors that are engaging in global development. However, the EU and its member states can help to remedy this problem by strengthening financial reporting requirements, investing in data collection and monitoring efforts, and working more closely with industry associations that help to set standards for philanthropic practice.

A second key challenge for European donors is to develop mechanisms for transferring their accumulated knowledge to emerging non-state actors. Through decades of experience in development, donor agencies have learned important lessons on how to work in diverse operational contexts, develop approaches that cut across sectors, and better involve local stakeholders in planning and implementation, and have identified ways of enhancing the effectiveness of their own aid efforts. The new global philanthropists may be disadvantaged in entering the development field due to a knowledge base that is limited in geographical scope and specific to particular sectors. Improved knowledge transfer can contribute to increasing the willingness of new actors to invest resources in unfamiliar operating environments and to increase their chances of success and their willingness to sustain existing commitments in the long term.

Global vertical programmes, like private philanthropic efforts, provide a vehicle for mobilizing additional resources to promote specific development goals. Unlike private philanthropic initiatives, however, these programmes represent an extension of existing aid systems. As major stakeholders in global programmes, European donors have an obligation and the capacity to improve the consistency between global and country-level programming and to avoid the emergence of parallel and uncoordinated systems of aid implementation. Criticisms of limited coordination between more traditional donors and global vertical programmes partly reflect incomplete progress in coordination within the traditional aid system, which European donors can work to redress.

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# ***Emerging Non-State Actors in Global Development: Challenges for Europe***

***By Erik Lundsgaarde***

## **1. Introduction**

One of the main features of the evolving global development landscape is a diversification in the nature of the main actors on the playing field. This diversification relates both to changes within the developing world that have placed rising economic and political powers in a class apart from states still struggling to confront basic development challenges and to an expansion of the circle of actors playing a prominent role in investing in development cooperation. These two dimensions of the diversification phenomenon have been evident in a growing body of research on the role of emerging powers in world politics and in development cooperation.<sup>1</sup> The contribution of the two largest developing countries to the changing face of the world has attracted special attention in this regard, with the rise of China attracting the most attention of all.

This focus on China, India, and other emerging powers is well-justified, given that their international influence is multifaceted, carrying implications for the structure of the global economy as well as for the practice of global governance across a variety of issue areas (ie climate change, trade, international security). Even though the scale of their public investments in developing countries lags behind those of leading OECD countries, this financial engagement has risen steadily in recent years and will likely continue to increase in the future.<sup>2</sup> Apart from their development assistance contributions, they are important to other developing countries as trading partners and as political actors with an ability to influence the global rules that will structure the opportunities available to less powerful states.

Alongside these 'new' state actors, a variety of non-state actors are also increasingly visible players in the development landscape by virtue of the scale of their financial commitments targeted toward achieving global development goals. In 2008, grants from the Bill and Melinda Gates Foundation in its Global Health and Global Development programmes alone approached US\$2.3 billion, a figure rivalling Belgium's development assistance budget for that year and surpassing the aid outlays of smaller European donors such as Austria, Finland, or Portugal.<sup>3</sup>

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<sup>1</sup> Examples of work on the role of emerging powers in world politics include Kaplinsky / Messner (2008), Cooper / Antkiewicz (2008) and Ajakaiye / Kaplinsky (2009). On the role of non-DAC actors in development cooperation see, for example, Manning (2006), Kragelund (2008), and Rowlands (2008).

<sup>2</sup> Estimates of the level of engagement of the emerging powers as providers of development assistance vary, reflecting problems with data collection. Researchers studying Chinese aid volumes suggest that annual giving lies somewhere in a broad range between US\$1 billion and US\$25 billion (Lum et al. 2009). Aid distributed by other emerging powers is less significant. Estimates of Indian aid lie between US\$500 million and US\$1 billion; the volume of Brazil's aid has recently been estimated at around US\$360 million; for South Africa the estimate is just under US\$200 million (ECOSOC 2008).

<sup>3</sup> The source of the Gates Foundation figure is the foundation's 2008 Annual Report, available online at <http://www.gatesfoundation.org>. Figures for comparison from the OECD donor

While the prominence of the Gates Foundation has by itself contributed to a heightened awareness of the influential role that private actors could play in shaping the future of development, this heavyweight is joined by a wide assortment of organisations whose growing engagement bring prospects for increased funding for development objectives as well as the introduction of innovative approaches in implementation.

This discussion paper provides an overview of the global development engagement of non-state actors. Although the label 'non-state actor' covers a large and heterogeneous group of organisations including civil society organisations, the analysis in this paper is restricted to three types of actors whose increased visibility presents opportunities and challenges for the traditional donor community, including the EU and its member states: private foundations, corporate philanthropists, and global vertical programmes.

As Grimm et al. (2009) suggest, the diversification of the landscape of development assistance providers has occurred against a backdrop of moves within the OECD DAC community to achieve a greater consistency in terms of the orienting goals and preferred means of implementing development assistance. With this in mind, the proliferation of the key actors involved in development cooperation carries the potential to undermine continued progress toward better coordinated and more effective development interventions. Yet the 'new' actors might also provide a stimulus for improvements in how the traditional donor community responds to development problems.

In outlining the scope of the engagement of key non-state actors, highlighting their funding priorities, and discussing the main elements of their implementation models, this paper aims to identify elements of their engagement that might be complementary with European development cooperation and those elements of their engagement that encourage reflection on how the EU and its member states might respond to their growing presence in the coming decade.

## **2. Foundations in Global Development: Privately Promoting the Public Good?**

Existing research on the global development contribution of philanthropic foundations has emphasized that data on foundation activities in the developing world remains limited and that the impact of these actors on development outcomes is only now beginning to receive attention from researchers (OECD 2003; Marten / Witte 2008; Six / Küblböck 2009). Part of the difficulty lies in the size of the foundation sector itself. The European Foundation Centre identifies close to 100,000 'public interest' foundations in the EU alone, while the US-based Foundation Center estimates the number of American grantmaking foundations at over 72,000 (European Foundation Centre 2008; Foundation Center 2008). Even though only a relatively small percentage of these foundations support development work in some capacity (Six / Küblböck 2009), this more limited group also includes organisations that vary widely in size and in funding priorities. This section highlights some of the common characteristics of

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community are from the OECD's International Development Statistics Online (<http://www.oecd.org/dataoecd/50/17/5037721.htm>). The Gates Foundation therefore also surpasses India, Brazil, and South Africa in terms of the scale of its giving.

philanthropic foundations, points out general trends in patterns of giving, and outlines key elements of the foundation model of providing financial support for development.

## 2.1. Overview of the Foundation Sector

The organisations identified as philanthropic foundations generally share the following properties: they are non-governmental; they are not profit-oriented; their resources stem from a private endowment; they are overseen by an independent oversight board (OECD 2003). Foundations enjoy financial independence. Their annual disbursements reflect only a small portion of their overall assets, which allows these organisations to generate income and to sustain their operations in perpetuity, though in some cases foundation benefactors may express a desire to spend down an endowment over a specific period of time.<sup>4</sup> Financial independence in turn secures a high degree of decision-making autonomy, leaving foundations free of the constraints that public actors face vis-à-vis taxpayers or corporations face vis-à-vis consumers or shareholders in making investment decisions.<sup>5</sup> However, restrictions imposed by recipient countries on how external actors can provide funding (for example, whether they are allowed to support civil society organisations promoting governance reforms) can apply to public and private actors alike.

Foundations tend to have close ties to the localities where the corporations or individuals that have endowed them have accumulated their wealth. As a consequence, many foundations provide grants that are focused on their local communities, making international giving a lower priority. A recent sample of foundation giving in Europe toward global development suggested that European foundations disbursed about 16 percent of their funding for development purposes in 2007 (Rukanova 2008), while the Foundation Center (2009a) estimated that American foundations provided only about 9 percent of their grant funding to non-US-based overseas recipients in 2007.<sup>6</sup> Recent estimates of the scale of giving in development nevertheless suggest that American foundations spend more overall on global development: in 2007, US Foundations spent some US\$3.3 billion in developing countries, whereas European foundations were estimated to have provided US\$607 million in grants to the developing world in 2005 (Hudson Institute 2009). In both regions, there has been a recent upward trend in international giving, with the low percentages of giving directed toward development signalling the potential for mobilizing additional resources for development from foundations in the future.

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<sup>4</sup> The nature of this income depends on how the endowment is invested. The global financial crisis impacted the asset bases of foundations: by the end of 2008, American foundations saw the size of their endowments drop by about one fifth (The Economist 2009). Development programmes financed by the Kellogg Foundation were one casualty of shrinking foundation endowments in the aftermath of the financial crisis. The foundation opted to suspend its operations in its Southern Africa office in October 2008. See:

<http://www.wkkf.org/default.aspx?tabid=1163&ItemID=190&NID=312&LanguageID=0>.

<sup>5</sup> This independence has fostered the perception that foundations can assume more risk in making investments in comparison to public actors (OECD 2003).

<sup>6</sup> This 9 percent figure is not specific to giving to developing countries. When international giving to US-based recipients is included, US Foundations allocated 22 percent of their grants internationally in 2006 (Foundation Center 2008).

## Box 1 Tracking Private Giving in OECD Countries

Since 2006, the Washington, DC-based Hudson Institute has published an annual *Index of Global Philanthropy* to chart private giving patterns. Initially motivated by a desire to counter the perception of American stinginess in development due to low levels of public giving as a share of national wealth, this report summarizes data on the volume of private financial flows across a number of categories, including direct investment, migrant remittances, and aid from private voluntary organisations. The Index is notable for its attention to collecting figures on global giving from private foundations and data on corporate philanthropy. While the focus of the Index has been on US private giving, the Hudson Institute is also an advocate for extending data collection efforts on private giving around the world, including philanthropic activity originating from developing countries. The Foundation Center and the Committee Encouraging Corporate Philanthropy are other organisations in the United States tracking private giving efforts. The European Foundation Centre has sought to document resource allocation patterns among European foundations and outline guidelines for philanthropic engagement. Together with the US-based Council on Foundations, the European Foundation Centre has developed 'Principles of Accountability for International Philanthropy', which among other things highlights the importance of respecting local contexts and working together with other donors. Tracking patterns of resource allocation from the many varieties of private actors engaged in global development nevertheless remains difficult not only in source countries but also at the country level in the developing world.

One of the main differences between the European and American foundation sectors is that US foundations are subject to more stringent financial reporting requirements; hence, there is a higher level of transparency about their activities (Witte 2008). Improving the quality of data on foundation giving in Europe through the formulation of consistent reporting standards across the EU would represent an important step in determining how foundation activities can best complement the global development efforts of the EU and its member states in the years ahead.

### 2.2. Foundation Funding Priorities in Global Development

One snapshot of the development-oriented giving patterns of the foundation sector can be obtained by looking at the funding priorities of the largest European and American foundations (listed in tables 1 and 2 below). Even among these major foundations, investments cover a range of activities, including agricultural development, small business development, disaster relief, and the promotion of good governance.

A broader picture of the foundation sectors in Europe and the United States suggests some similarities in terms of general funding patterns. The European Foundation Centre notes that nearly half of European foundations investing in global development programmes report that health and education are areas of special emphasis, while roughly one third of foundations surveyed indicated that economic and enterprise development and conflict resolution and peacebuilding were priority areas (Rukanova 2008). The Hudson Institute's most recent *Index of Global Philanthropy* underlines the importance of health investments for US-based foundations. Half of international giving from the US in 2007 was directed



toward health programmes, with support for economic growth and trade accounting for 25 percent of giving,

Table 1. Leading European Foundations in Global Development (2005)

<b>Foundation</b>	<b>Country</b>	<b>Development Giving 2005 (in €)</b>	<b>Focal Areas</b>
The Wellcome Trust	United Kingdom	153,000,000	Health; Medical Research
Deutsche Bank Corporate Social Responsibility	Germany	53,000,000	Microfinance; Education
The Big Lottery Fund	United Kingdom	35,200,000	Poverty Reduction; Post-Disaster Recovery
Bernard van Leer Foundation	Netherlands	15,559,537	Support for Children
Shell Foundation	United Kingdom	12,320,000	SMEs; Urban Pollution; Energy

Notes: This table is based on a list presented in Marten / Witte (2008) that reports results from a European Foundation Centre survey on giving for global development. Areas of thematic concentration are based on information available on the websites of the foundations listed.

Table 2. Leading American Foundations in Global Development (2007)

<b>Foundation</b>	<b>State</b>	<b>Development Giving (in US\$)</b>	<b>Focal Areas</b>
Bill and Melinda Gates Foundation	Washington	628,313,243	Health; Agriculture; Financial Services
The William and Flora Hewlitt Foundation	California	58,794,800	Environment; Agricultural Markets; Governance
W.K. Kellogg Foundation	Michigan	45,785,385	Racial Inequality; Leadership; Community Development
The Rockefeller Foundation	New York	36,575,358	Agriculture; Climate Resilience; Innovation
The Ford Foundation	New York	27,815,140	Governance; Civil Society; Human Rights

Notes: Figures are from Foundation Center (2009b) and include grants of US\$10,000 or more. Information on priority areas has been collected from the websites of the individual foundations.

Table 3. Leading Recipients of Global Development Grants from US Foundations (2007)

<b>Organisation</b>	<b>Location</b>	<b>Grant Total (in US\$)</b>	<b>Grants</b>
Alliance for a Green Revolution in Africa	Kenya	188,951,463	4
Technoserve	United States	48,978,601	8
International Maize and Wheat Improvement Center	Mexico	44,558,906	4
Heifer Project International	United States	43,453,930	13
African Agricultural Technology Foundation	Kenya	42,450,000	1
International Development Research Centre of Canada	Canada	40,000,000	1
International Development Enterprises	United States	27,303,863	5
Catholic Relief Services	United States	24,318,443	8
ONE Campaign	United States	22,997,183	3
Save the Children Federation	United States	22,768,689	30

Note: This table is a partial reproduction of the Foundation Center's list of "Top 25 Recipients of Foundation Giving for Poverty-Related Programs for Developing Countries, circa 2007". Dollar amounts include grants of US\$10,000 or more. Only seven of the 25 recipient organisations on this list are located in developing countries (Foundation Center 2009c). This table has been reproduced with the permission of the Foundation Center.

disaster relief and refugee assistance representing 9 percent, support for democracy promotion and governance programs around 7 percent, and education four percent of total giving (Hudson Institute 2009).<sup>7</sup> The list of leading recipients in Table 3 also highlights that many of the most sizable grants with a poverty reduction orientation from US foundations have been directed toward research-focused initiatives, particularly those related to increasing agricultural productivity.

In a recent summary of the foundation sector's favoured giving areas, Witte (2008) notes that investments in the health field have tended to focus on vaccine development and immunisation, as well as prevention and treatment for malaria, tuberculosis, and HIV/AIDS. Foundation investments in education have emphasised tertiary education, while governance programmes have often focused on strengthening the capacity of civil society organisations to make governments more accountable and to demand political change (Witte 2008). The agricultural sector provides one of the most prominent examples of foundations contributing to global development efforts by making large, risky, and long-term investments: the agricultural research funded by the Rockefeller and Ford Foundations that led to the development of higher-yield crops to support a 'Green Revolution' in Asia and Latin America (OECD 2003).

The traditional preference of foundations for giving locally also extends to their international funding efforts. The Foundation Center notes that international grants that were given directly to foreign partners accounted for only 45% of grant dollars in 2006, though this marks an improvement over previous years: in

<sup>7</sup> The Hudson Institute notes that the economic growth and trade category includes environmental grants as well, suggesting that this category itself covers a broad range of investments.

1990 only around one third of international foundation grants were distributed directly to foreign recipients (Foundation Center 2008). In the international giving portfolio of American foundations, over half of the grants to foreign recipients pass through Western Europe, a result partly attributable to foundation support for the global programmes that are based there.

Sub-Saharan Africa is the leading developing region in terms of the support that it attracts from US foundations. In 2006, roughly US\$344 million was disbursed to organisations in the region. Sub-Saharan Africa is also a preferred destination for development funding from European foundations, with organisations in countries in Eastern and Southern Africa being especially privileged as grant recipients (Rukanova 2008). Foundation giving in Africa may be heavily concentrated in a relatively small number of countries. In 2007, the Foundation Center reported that Angola was the beneficiary of some US\$200 million in grants from US foundations, representing more than half of identified foundation giving toward the continent. Kenya was another leading beneficiary, accounting for more than 35 percent of reported grants to Africa in that year.<sup>8</sup>

In addition to these general trends, a bias in foundation giving to emerging countries has been discernable, as US foundations in particular have tended to provide significant support to programmes in Brazil, China, India, and South Africa (Marten/Witte 2008). Possible explanations for this tendency may be a greater familiarity with the operating environment in these countries or the relative ease of identifying partner organisations as compared with the situation in the least developed countries.

### 2.3. Foundation Implementation Models

Identifying reliable partner organisations is a necessity for many foundations due to their own limited capacity for implementation, but this generalisation does not hold for all foundations. While some foundations are essentially grant making institutions, others have field offices that manage operational activities in developing countries (OECD 2003). Marten and Witte suggest that the more detached relationship between financing and implementation tends to be more common in the global development arena, however, noting that: "the reality is that foundations themselves are frequently highly centralized, have little to no field presence and frequently have underdeveloped professional organisational structures" (2008: 18). These characteristics can contribute to a reduced capacity both to monitor the activities that foundations fund and to coordinate these initiatives with partner country governments and other donors.<sup>9</sup>

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<sup>8</sup> See <http://maps.foundationcenter.org/gpf/poverty.php>. The position of Angola as a leading recipient of US foundation giving for poverty reduction in Africa highlights the relevance of enhancing transparency in private philanthropy. Angola is an important country of operations for US energy companies. It is also a country where the President has personally established a foundation (the Dos Santos Foundation) to address social development problems, an organisation which can be considered to be an extension of a clientelist regime (Amundsen / Abreu 2006). Greater transparency is required to ensure that contributions that are labelled as charitable which may in addition limit the tax liabilities of the funding source are actually financing initiatives for public benefit.

<sup>9</sup> This claim regarding foundation capacities is more relevant for some foundations than others. According to data compiled by Radelet (2003), several major foundations active in global development had a fund disbursement to staff ratio similar to leading development agencies. By Radelet's estimate, the Kellogg Foundation disbursed US\$1.09 million, the David and Lucille

In some corners of the development community, bureaucratic leanness combined with a certain distance between the source of financing and implementing agents in the 'foundation model' of development assistance provision has been considered to bring benefits in terms of producing more strongly demand-driven interventions. The assumption is that the organisations that generate proposals for funding are free to design programmes that are well-adapted to local needs and circumstances so long as they fit with the broad priorities set out by the funder (Lancaster 2000; van de Walle 2005). While this model may fit the operational logic of public foundations, such as the African Development Foundation or Interamerican Foundation in the United States, the extent of its approximation of the implementation model of the largest private foundations active in global development is unclear, as grant-making institutions may in reality have very specific wishes in terms of where they want to allocate resources. The level of responsiveness of foundations to needs articulated by stakeholders in developing countries should provide a measure of their legitimacy in advancing priorities in the name of public interest.

#### 2.4. The Gates Foundation: A Titan among Philanthropies

Growing interest in the role of private philanthropy in global development is in large measure a result of the significant investments being poured into development initiatives by the Bill and Melinda Gates Foundation. The Gates Foundation's Global Health and Global Development Programmes are still in their infancy, but have already provided an important source of additional development finance in their first years of operation. In 2008 both programmes provided a volume of grants around 1.5 times higher than in the previous year, with Global Health funding reaching nearly US\$1.82 billion and Global Development funding US\$462 million (Bill and Melinda Gates Foundation 2008). This substantial growth in development financing from one year to the next signals the foundation's potential to become an even more significant global development actor in the coming decade.

A quick comparison of Tables 1 and 2 with Tables 4 and 5 below highlights the disproportionate weight of the Gates Foundation as a development actor in the foundation sector. The largest grants provided by the foundation directed toward Africa, its priority region for grantmaking, are comparable in size to the total grantmaking portfolios of other leading foundations active in the development arena.

Many of the basic guiding orientations of the Gates Foundation, such as the recognition that all lives have an equal value, that it is necessary to make long-term commitments in order to foster development, and that resources should be invested efficiently underline the consistency of the mission of the foundation with the orientations of other development actors, including European aid agencies. Nevertheless, the foundation's work is fundamentally an expression of the interests of its founders, as its strong emphasis on science and technology as

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Packard Foundation US\$1.44 million, and the Ford Foundation US\$1.55 million per staff member. Figures for USAID, DfID, and the World Bank were US\$1.27 million, US\$1.47 million, and US\$1.95 million per staff member, respectively. An outlier among leading foundations was the Gates Foundation, which disbursed US\$4.25 million per staff member.

avenues for expanding opportunities reveals.<sup>10</sup> These differences in interests may be especially visible when the foundation undertakes advocacy to shape the funding priorities of public organisations, whose interests reflect attempts to accommodate a range of governmental and societal preferences. These different bases of interests can lead to frustrations on both sides. From the foundation side, public actors may be perceived as too slow to act, while public actors may criticise the insistency of the foundation in promoting its favoured approaches.

Table 4. Leading Recipients of Gates Foundation Global Health Grants (Africa) 2008

<b>Organisation</b>	<b>Location</b>	<b>Grant Total (in US\$)</b>	<b>% of Africa Total</b>
Program for Appropriate Technology in Health (PATH)	United States	168,731,152	32.1
The Carter Center	United States	40,000,000	7.6
INDEPTH Network	Ghana	28,615,240	5.4
CDC Foundation	United States	25,495,068	4.8
Bloomberg Family Foundation	United States	23,875,000	4.5
UNICEF Headquarters	United States	19,999,744	3.8
Global Alliance for Improved Nutrition	Switzerland	19,999,120	3.8
University of California-Davis	United States	15,906,400	3.0
World Health Organization	Switzerland	13,839,336	2.6
Accordia Global Health Foundation	United States	12,574,116	2.4

Source: <http://www.gatesfoundation.org/grants/Pages/search.aspx>. The table is based on grants listed following a search using the filters 'Global Health' and 'Africa'. The total volume of grants listed with these search terms was US\$526,361,535.

Table 5. Leading Recipients of Gates Foundation Global Development Grants (Africa) 2008

<b>Organisation</b>	<b>Location</b>	<b>Grant Total (in US\$)</b>	<b>% of Africa Total</b>
United Nations World Food Programme	Italy	66,131,200	10.6
International Food Policy Research Institute	United States	45,000,000	7.2
African Agricultural Technology Foundation	Kenya	42,450,000	6.8
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Germany	34,995,552	5.6
Cornell University	United States	26,830,848	4.3
The McKnight Foundation	United States	26,006,932	4.2
Deutsche Investitions und Entwicklungsgesellschaft	Germany	24,400,000	3.9

<sup>10</sup> The full list of the Gates Foundation's guiding principles appears on the organisation's website: <http://www.gatesfoundation.org/about/Pages/guiding-principles.aspx>

National Science Foundation	United States	24,000,000	3.9
Global Alliance for Livestock Veterinary Medicine	United Kingdom	22,515,040	3.6
International Bank for Reconstruction and Development	United States	18,905,140	3.0

Source: <http://www.gatesfoundation.org/grants/Pages/search.aspx>. The table is based on grants listed following a search using the filters 'Global Development' and 'Africa'. The total volume of grants listed with these search terms was US\$621,541,046.

The Gates Foundation focuses its grantmaking activities in its Global Health and Global Development programmes in several priority areas. A key emphasis in the health category is investing in combating a variety of infectious diseases, for example by funding research on vaccine development, and also by supporting initiatives to improve health care delivery. The Global Development Programme prioritizes investments in improving agricultural productivity and rural livelihoods, expanding the access of the poor to financial services (especially through support for microfinance institutions), and also funds a variety of special initiatives, including a programme promoting wider availability of information technology in libraries around the world as well as support for emergency relief.<sup>11</sup> Advocacy work constitutes an additional component of both the Global Health and Global Development programmes.

As a grantmaking institution, the Gates Foundation relies on other organisations to implement the programmes that it funds. Tables 4 and 5, which provide a list of the top 10 recipients of grants directed toward Africa in the Global Health and Global Development programmes in 2008, give a general impression of where the foundation's resources are directed.<sup>12</sup> Implementing partners include multilateral organisations and other governmental actors, other foundations, universities, and a variety of non-governmental organisations. One striking feature of these lists, mirrored in the complete list of grants for Africa, is the predominance of organisations headquartered in North America and Europe. In the Global Development programme, recipients in these regions received 63% of the grants for African development. Multilateral organisations received approximately 16%, while seven grant recipients headquartered in Africa received just under 11% of the total grant volume.<sup>13</sup> A similar picture emerges with respect to funding for Global Health initiatives with an Africa focus. In this domain, North American and European recipients attracted 76% of grant funding, multilateral organisations approximately 12%, and implementing partners headquartered in Africa 9%.

There are multiple plausible explanations for the relatively low levels of funding flowing directly to African recipients. The figures may reflect an orientation toward the production of global public goods, as in the area of research for vaccine development, a tendency to entrust funds to organisations which are more familiar to the individuals working at the foundation, or limits to the ability of organisations based in Africa to absorb the large volumes of funding that the

<sup>11</sup> More information regarding these priority areas is available on the Gates Foundation website.

<sup>12</sup> In some cases, grants listed with the search filter 'Africa' in the Gates Foundation grantee database may actually relate to broader programmes that are relevant for multiple developing regions.

<sup>13</sup> These grants were disbursed to recipients in a small number of Anglophone countries (Kenya, Nigeria, South Africa, and Tanzania). The remaining grants were provided to organisations in Asia and Latin America.

Gates Foundation is providing. Whatever the case, if the organisation is committed to the principle of ownership in development and to the empowerment of developing country populations, increasing the importance of Southern partners in its grantmaking portfolio seems a natural objective. Movement in this direction would also enhance the legitimacy of the development advocacy work conducted by the foundation.

Given the focus of the Gates Foundation on financing research initiatives, one thematic area where European donors can work more closely with the foundation to support this objective is the strengthening of developing country research capacities. As Stamm (2008) suggests, while European aid agencies have acknowledged the importance of building research capacity in partner countries, this priority has often lacked visibility in development programmes as well as financial support. The development of a common strategy and common mechanisms for providing support for research institutions outside of Europe and North America would provide a means for elevating the priority while encouraging knowledge transfer from organisations that have had more experience working on this problem to the foundation.

While Gates Foundation initiatives have unquestionably been welcomed in many quarters, numerous criticisms of foundation action have also emerged in its short lifetime. In part, this criticism reflects challenges of a newcomer entering an unfamiliar operational environment, but the criticisms also reflect more general dilemmas of engaging in development work that traditional donors have confronted in various forms for many years. The observation that the foundation's investment portfolio has included investments in enterprises whose actions potentially undercut development objectives mirrors the challenge of policy coherence that donor countries continue to struggle with, for example.<sup>14</sup>

A more prominent criticism that the foundation and the donor community should work together to address relates to the imbalances that have emerged in addressing development objectives due to the foundation's funding priorities. In particular, the foundation's emphasis on combating high-profile diseases through vaccination and drug delivery has been criticized for drawing attention away from primary health care and undermining national health systems.<sup>15</sup> At the same time, funding to address the underlying forces that can improve health outcomes such as improvements in infrastructure and food security has been neglected (Piller and Smith 2007). Though investments in the foundation's Global Development programme are designed to address these broader development challenges, this criticism highlights that emerging private actors may be disadvantaged in terms of their ability to promote the kinds of holistic approaches to development that aid agencies often advocate.

## 2.5. Looking Toward the Future: Implications for Europe

While the funds that individual foundations provide in support of global development objectives are generally small in relation to the amounts of

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<sup>14</sup> Numerous criticisms of the foundation are discussed in 'Monopol der Weltverbesserer', *Die Zeit* (September 25, 2008). The article is accessible online at <http://www.zeit.de/2008/40/Gates-Foundation>.

<sup>15</sup> This criticism, particularly as it relates to funding for HIV/AIDS, also applies to the donor community more broadly (Smith 2009).

financing provided by official donors, the concentration of their activities in particular sectors or particular countries can increase the prospects for changing the nature of the operating environment that donors will face at the country level. Although foundations may themselves display a preference for avoiding coordination due to their autonomy, scepticism of national-level planning processes and governmental solutions, or their reliance on civil society organisations as implementing partners (Marten/Witte 2008), it is in the interest of both private and public actors to ensure that their interventions have a complementary quality. This does not mean that priorities or mechanisms for implementation need to be identical, but implies that channels for dialogue about how to invest in development and how to assess the impact of these investments should be increasingly formalised.

A prerequisite for better understanding the implications of the rise of these private actors for European development cooperation is enhanced transparency about where their funding is directed. As a regulatory actor, the European Union has the ability to promote more comprehensive financial reporting from organisations under its legal jurisdiction. At the same time, the EU can work together with the European Foundation Centre, an independent philanthropic industry association, to monitor contributions to global development objectives more closely and identify principles for coordination with governmental actors.<sup>16</sup> The need to monitor philanthropic activities more carefully extends to the organisations that implement projects funded by private foundations. Many of these organisations may also receive funding from public sources; hence there is a broader justification for increasing accountability. Donors can play a role in increasing the call for the collection of data on the activities of implementing partners in order to better understand the impact of these interventions.

It is important to underline that private foundations are political actors because the financing that they provide for development programmes carries the potential to privilege certain policy areas or populations over others and to affect power relationships within countries. For this simple reason, donors should strive to increase their awareness of philanthropic giving and its effects in the years ahead.

### **3. Corporate Philanthropy: Blurring Boundaries between Business and Aid**

Many of the largest European foundations engaging in global development are affiliated with corporations, as Table 1 suggests. Corporate philanthropic activity is not restricted to funding channelled through foundations, however. As with foundation activity, the full scale of giving from private enterprises is difficult to assess due to limited data availability, although figures for giving in the United States are again more readily available than figures on corporate giving in Europe. This section highlights general trends in corporate giving for development and describes key aspects of how this funding is provided.

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<sup>16</sup> Marten and Witte (2008) propose a similar set of recommendations to increase donor knowledge about foundation activities.



### 3.1 Overview of Corporate Giving in the Developing World

According to estimates in the Hudson Institute's *Index on Global Philanthropy*, American corporations contributed US\$6.8 billion toward global development goals in 2007, increasing their spending in developing countries by 24 percent in comparison to the previous year (Hudson Institute 2009). A recent survey of companies in the network of the US-based Committee Encouraging Corporate Philanthropy, an organisation promoting business giving and developing standards for best practice in this community, suggested that firms are likely to continue to expand their international giving profiles in the future as a result of the growing internationalisation of their operations (Steger 2006). Motives for corporate giving include improving employee morale or enhancing the reputation of the company either in the community where its activities are focused or in the broader marketplace (Asinof 2007).

Mirroring trends in foundation giving described above, however, corporate giving that is directed internationally continues to represent a small portion of the total philanthropic engagement of the business community. A report on giving trends of American companies based on a survey of 137 firms indicated that for Fortune 100 companies, about 18 percent of corporate giving was distributed internationally, while for other companies, around 11 percent of total giving went abroad (Committee Encouraging Corporate Philanthropy 2009). While US\$6.8 billion is an impressive figure, it is a small sum compared to the revenue of the universe of corporations that have the potential to make charitable contributions.

The Hudson Institute's most recent estimates of corporate giving volumes indicate that contributions to the health sector have represented an especially important share of private philanthropy globally due to a high level of in-kind donations from pharmaceutical and medical companies, which have been directed overwhelmingly toward countries in sub-Saharan Africa (Hudson Institute 2009). Firms engaging in philanthropic activities in developing countries nevertheless span a variety of sectors, including energy, telecommunications, financial services, and manufacturing. The diffuse quality of corporate philanthropists suggests that problems related to monitoring the extent and effectiveness of their activities are larger in comparison to the foundation sector, dominated by a smaller number of more visible actors. As exemplified in the Hudson Institute's work on the subject, evidence on the impact of programmes supported by charitable contributions from firms tends to be anecdotal, underlining the need for more systematic appraisals of the development impact of private philanthropy.

### 3.2 Recent Innovations in Giving

Given the incomplete quality of information about the effectiveness of corporate philanthropic efforts in promoting development goals, discussions of this form of private giving have tended to focus on the potential rather than on the actual impact of the new philanthropists as development actors. While philanthropy from firms can take a variety of forms, including traditional means of assistance such as in-kind donations of their products or contributions to humanitarian organisations, one reason for the growing interest in the role of corporate philanthropies as development actors is the perception that they are innovative players in the development landscape that are promoting fundamentally new

models of providing assistance (Nelson 2008). A central element of these models is the extension of business principles to charitable endeavours, an approach captured by the broad term 'philanthrocapitalism' (Edwards 2009).

The more visible marriage of business and philanthropic practice has come partly through the increasing popularity of so-called 'strategic philanthropy' among firms. The core element of strategic philanthropy is the effort to increase the alignment of philanthropic activities with firms' core business competencies. In contrast to more arms-length giving that might be typified by cash contributions to disaster relief funds, strategic philanthropy implies the development of targeted initiatives designed to enhance competitiveness by funding improvements in a company's operating environment (Porter / Kremer 2002; Bruch / Walter 2005). Corporate investments in education or other social welfare programmes in areas where their operations are located provides an example of this approach to giving. Through such investments, the firm potentially gains a better educated and more productive work force, while participants in these programmes have opportunities to gain skills and improve their living conditions.

A more concrete example of strategic philanthropy in practice can be found in the Networking Academies established by the information technology company CISCO Systems (Porter/ Kremer 2002). Initially designed to provide recipients in disadvantaged communities within the United States with skills to benefit from donated technologies, the programme has acquired a global reach within the past decade, and now provides training opportunities for some 800,000 individuals through 9,000 networking academies spread out across 165 countries.<sup>17</sup> The expansion of the programme has been facilitated in part through partnerships with bilateral and multilateral development organisations such as USAID and the UNDP. As this example suggests, partnerships with firms can provide a vehicle for extending programmes and the financial resources and know-how that they carry with them to regions or communities that aid agencies may be accustomed to operating in, but where corporate actors are at a potential disadvantage in terms of their contextual knowledge.

For both private and public actors these types of arrangements provide a mechanism for transferring knowledge and for exploiting comparative strengths. Seizing the potential for a larger contribution of firms to global development efforts likely requires not only strengthening programmes in aid agencies aimed at creating partnerships with private sector actors but also targeted outreach to corporations to promote a greater awareness of the benefits of cooperation. Without an outreach effort from the traditional development actors, there is a risk that corporations will simply pursue programmes independently, leading to a multiplication of small projects that may not adequately incorporate lessons learned through the accumulated experiences of development agencies or link up to ongoing projects within the same region. As it is unrealistic to expect agencies with limited resources to conduct extensive corporate outreach, such efforts can be focused on providing information to business associations within Europe, especially those whose members include multinational companies with operations in developing countries.

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<sup>17</sup> More information about this programme can be found online:  
<http://www.cisco.com/web/learning/netacad/academy/index.html>.

## Box 2 The Many Dimensions of Corporate Engagement in Development

Charitable contributions to development projects represent just one of several ways that corporations can support efforts to address global development challenges. Firms may also enhance their development orientation by adhering to international standards such as the environmental management standards elaborated by the International Organization for Standardization (ISO) or the guidelines for making socially and environmentally responsible investments articulated in the Equator Principles. Beyond integrating socially and environmentally benign business practice into their core operations, firms also have the potential to contribute to development goals as political advocates in their home countries for global public policies that affect the lives of the world's poor, including policies designed to address the climate challenge or to create a more equitable global trade regime (European Think-Tanks Group 2010; Warren 2007). A challenge for European donors is to exploit interest in charitable giving in the development field as an entry point for promoting broader changes within the private sector that can provide a foundation for a sustainable global economy in the future.

Venture philanthropy is another emerging approach that provides a new model for how firms may provide charitable assistance. Considered to represent a departure from traditional forms of foundation giving where there is a larger distance between grantmaking institutions and the organisations they finance, venture philanthropy describes an arrangement where philanthropists take an active role in the management of their non-profit implementing partners to contribute not only project financing but also to capacity building within the implementing organisation, and combines the results-orientation and knowledge transfer emphasis of venture capitalism with a focus on producing social benefits (Letts / Ryan / Grossman 1997; Pepin 2005).

As Pepin (2005) indicates, the venture philanthropy model has primarily found traction in the United States and Canada, though the popularity of the model has been increasing in the United Kingdom and other European countries as well. Like other corporate philanthropic activities, the extension of this model to the global development sphere has been limited to date. A prominent exception is the work of the US-based Acumen Fund, established in 2001 with financial support from foundations and other philanthropists.<sup>18</sup> A core assumption guiding the work of the Acumen Fund is that entrepreneurship can play a key role in improving the lives of the world's poor. The Fund provides loans and equity investments to small enterprises whose operations focus on service delivery for poor populations, whether by producing bed nets or extending access to health care, supplying electricity, or improving water quality. The organisation's investments, which are concentrated in India, Pakistan, Kenya, Tanzania, and South Africa, are spread out across five portfolios (health, housing, energy, water, and agriculture), and currently represent some US\$35 million in commitments, the largest share of which are directed toward enterprises providing health care-related services.<sup>19</sup>

The geographical and financial limitations in the scope of venture philanthropy in developing countries suggests that these new actors are not close to displacing

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<sup>18</sup> For further information about the Acumen Fund, see <http://www.acumenfund.org>.

<sup>19</sup> See <http://www.acumenfund.org/investments/portfolios.html>.

more traditional development actors. Their entry onto the global development stage nevertheless poses a number of questions for aid agencies. Given the entrepreneurial emphasis of the new philanthropists, donors will need to consider how to engage with these actors in the context of their own programmes to support small and medium-sized enterprise development. At the same time, the focus on private sector solutions raises broader questions about how to promote accountability among this diffuse group of actors and opens a debate on how to find a balance between the role of the state and the role of the private sector in promoting development outcomes (Edwards 2009). If the new philanthropists have yet to demonstrate how their interventions can be scaled up to contribute to more widespread social and economic transformation processes in developing countries, donors can already begin to identify points of 'strategic complementarity' between donor and philanthropic efforts, which implies a willingness to increase information sharing on development activities from both sets of actors to avoid duplication at a minimum and to ideally build synergies that benefit developing country populations (Brainard / LaFleur 2009).

### 3.3 Looking toward the Future: Implications for Europe

The promise of the new philanthropy is that it will provide an infusion of resources and expertise that can help to address persistent development challenges. While the extent of corporate philanthropy in developing countries continues to be limited, the philanthropic sector has tremendous growth potential. However, the same forces that dissuade firms from investing in developing country contexts are likely to curb philanthropic interest in more difficult operating environments. This suggests that in the near term, such initiatives will probably be concentrated in developing countries that are already relatively more attractive to investors, especially middle-income countries.

European aid donors have an important role to play in increasing the global development contribution of corporate actors. The role of aid agencies as knowledge providers is especially important in this regard, as donors can provide contextual information that can help potential philanthropists to identify prospects for project success before they invest and can help to identify areas of complementarity with existing interventions from states, donors, or other private actors. Information sharing can also take the form of promoting standards of conduct for corporate philanthropists in developing country contexts, which can involve the identification of measures that can be taken to enhance accountability among private givers to ensure responsiveness to stakeholder demands. One basic component of fostering greater accountability among philanthropists entering the global development landscape is to monitor corporate giving patterns more closely. Increasing research and analysis on corporate philanthropy provides one avenue for European donors to enhance their monitoring efforts (Edwards 2009); making use of the regulatory roles of the EU and its member states to encourage more comprehensive reporting provides another.

Efforts to increase the volume and quality of corporate giving in developing countries can be viewed as an extension of existing initiatives (such as the UN Global Compact) to encourage firms to become better global citizens by integrating principles of corporate social responsibility into their core operations. Long-term efforts to address global development goals will undoubtedly require

increased commitments from private sector actors, which apart from serving as motors for wealth and employment creation also have a key role to play in ensuring the sustainable management of natural resources and the improvement of living standards. Information exchange between aid agencies and the new corporate philanthropists related to implementation of global giving programmes is one element in improving broader corporate contributions to global development processes. However, donors can also encourage further engagement from the business community by funding programmes that allow firms to identify opportunities for cooperation with developing country partners. Challenge funds to stimulate business-to-business partnerships provide one example of such programmes (European Think-Tanks Group 2010).

This brief overview of global private giving patterns suggests that the giving profiles of the new corporate philanthropists in particular are likely to focus on the issues or regions that are closely associated with the business agendas of individual firms. This can have advantages in terms of promoting sustained corporate engagement and skills transfer, but can also raise challenges related to the multiplication of small development initiatives and a neglect of particular issue areas, especially those related to the provision of global public goods. Intensified dialogue between European donors and the private sector would likely contribute to the enhancement of the scope and quality of corporate engagement in global development.

**4. Global Vertical Programmes: Extensions of the Existing Aid System**

Global vertical programmes have gained prominence in the global development landscape in recent years in part due to their potential to address problems related to project proliferation and funding shortfalls referenced above. Such programmes are considered to provide a mechanism for mobilizing additional financial resources from both private and public actors to provide a focal point for addressing a narrow set of objectives. In focusing on a limited number of objectives, these initiatives are distinguished from the horizontal programming of aid agencies that attempts to respond to challenges across numerous sectors simultaneously. This section provides descriptions of key vertical programmes and their priority areas of emphasis and general characteristics before highlighting the main issues that the programmes raise for European donors.

Table 6. Areas of emphasis and funding volumes from major global vertical funds

<b>Fund</b>	<b>Found ed</b>	<b>Focal Area</b>	<b>Disburse ments to Date (in US\$)</b>
Consultative Group on International Agricultural Research (CGIAR)	1971	Agricultural Research	7.2 billion
Education for All-Fast Track Initiative (EFA-FTI)	2002	Universal Primary Education	.87 billion
GAVI Alliance	2000	Vaccination	3.8 billion

Global Environmental Facility	1991	Biodiversity, Climate Change, Water and Land Degradation	8.3 billion
The Global Fund to Fight AIDS, Tuberculosis, and Malaria	2002	AIDS, TB, Malaria, Vaccine-Preventable Diseases	7.2 billion
The President's Emergency Plan for AIDS Relief (PEPFAR)	2003	HIV/AIDs Prevention, Treatment, and Care	12.7 billion

Notes: The figure for CGIAR (reported in 1990 constant USD) is referenced on the Consortium's homepage at: [http://www.cgiar.org/impact/snapshots\\_impacts.html](http://www.cgiar.org/impact/snapshots_impacts.html). The EFA-FTI disbursement figure covers cumulative disbursements from its Catalytic Fund (US\$792 million) and from its Education Programme Development Fund (US\$75.5 million) as reported in its most recent financial updates available on the fund's website (<http://www.educationfasttrack.org/>). The GAVI figure reflects cumulative commitments from donors through 2008 rather than disbursements, and can be found in GAVI (2009). Global Fund figure is from Global Fund (2009). For the Global Environmental Facility, please see [http://www.gefweb.org/interior\\_right.aspx?id=50](http://www.gefweb.org/interior_right.aspx?id=50). The PEPFAR figure includes outlays for fiscal years 2004-2008 listed at <http://www.pepfar.gov/documents/organization/123761.pdf>.

#### 4.1. A Brief Inventory of Global Vertical Programmes

As is the case with other groups of 'new actors' that are profiled in this research programme, global vertical programmes are not a purely new feature of the development landscape. The smallpox eradication programme established by the World Health Organisation in 1958 is credited with having eliminated this disease worldwide (EURODAD 2008), while the **Consultative Group on International Agricultural Research (CGIAR)** is close to forty years old and the Global Environmental Facility has been around for nearly two decades. Though they have a similar sector-specific orientation, programmes labelled vertical funds do not have uniform systems of governance or mechanisms for implementing assistance. This section briefly outlines the key features of the individual vertical programmes listed in Table 6.

The establishment of CGIAR represented an extension of foundation-funded efforts to enhance agricultural productivity in developing countries through investments in research on tropical agriculture. Contributors to the consortium's work provide more than US\$500 million annually in support of research at 15 agricultural centres around the world. These contributors include 47 countries, including 22 DAC donor countries, 4 private foundations, and 13 regional and international organisations, which also participate in the governance of the consortium through representation in a consultative group that together with an independent scientific council provides strategic direction for the consortium's activities.<sup>20</sup> Although CGIAR's work since its inception has been widely praised for demonstrating a clear impact in improving agricultural yields and enhancing food security through its research output, a World Bank evaluation conducted in 2003 noted that the nature of donor engagement in the consortium's activities had contributed to a shift in priorities away from CGIAR's core areas of competence (scientific production) toward service provision to compensate for dwindling investments related to other means of increasing food security (World

<sup>20</sup> More information about the consortium can be found at <http://www.cgiar.org/index.html>.

Bank 2003). This example suggests the challenges that global programmes can face in the long-term in maintaining a focus on a relatively narrow set of priorities given changing preferences from funders and changes in the nature of needs in developing countries themselves.

The **Global Environmental Facility (GEF)** emerged from a heightened awareness of the necessity for cooperation between developed and developing countries in resolving global environmental problems, particularly as a result of negotiations to protect the ozone layer in the 1980s. Initially developed under the aegis of the World Bank, early criticisms of the initiative's legitimacy from civil society organisations and developing countries prodded reforms that led to the development of a more transparent and inclusive system of governance combining aspects of Bretton Woods and UN organisations (Streck 2001).

The GEF has mainly served as a financing vehicle for small-scale projects. In its 2007-2008 reporting period, the GEF provided US\$634 million of its own resources and mobilized US\$3.1 billion through cofinancing to support 185 projects, primarily to address challenges related to biodiversity, climate change, persistent organic pollutants, international waters, and land degradation. Recognizing the value of more integrated approaches to environmental protection, the GEF has recently demonstrated an interest in increasing funding for long-term programmes that serve as umbrellas for smaller projects (GEF 2008). While the GEF has worked to reform its project approval process in order to streamline funding applications and enable a quicker disbursement of funds, the inclusive quality of the facility's governance structure has also had the effect of slowing decision-making, potentially making it more difficult for the facility to respond quickly to environmental challenges in the future. Other critical points related to the GEF's capacity to fulfil its mandate concern inadequate financing and a perceived absence of strategic direction in dealing with climate change in particular (Porter et al. 2008). These criticisms do not simply reflect the GEF's internal weaknesses, but instead indicate that prospects for success are conditioned by how donors engage with the fund. This concerns financial commitments as well as coherence in terms of the direction provided by major stakeholders.

The **Education for All-Fast Track Initiative** has its roots in the international conferences at the turn of the Millennium calling for increased commitments to responding to basic social development needs, and extending access to basic education more specifically. Considering itself a 'global compact', this programme aims to mobilize funding in support of national education plans from existing bilateral and multilateral donors. Because the initiative focuses on providing funding for programmes elaborated at the country level, it has served to promote country ownership and enhanced donor coordination within the education sector. Although donor commitments to basic education have increased since the initiative's inception, its low profile outside of the context of existing development partnerships has made it difficult to mobilize resources on the scale needed to address financing gaps in dealing with basic education challenges (Fry 2008).

The recent attention focused on global vertical funds owes especially to the significant increases in funding in the health sector that have been channelled through vertical programmes such as the GAVI Alliance, the Global Fund to Fight AIDS, Tuberculosis, and Malaria and America's PEPFAR programme. Interest in

funding initiatives in this sector has itself followed from aid effectiveness concerns and the perception that health-related development investments have had more demonstrable effects in promoting development goals in comparison to other types of interventions.

The **Global Alliance for Vaccines and Immunizations (GAVI Alliance)** was founded in 1999 with support from a start-up grant of US\$750 million from the Gates Foundation, which has remained a leading stakeholder alongside numerous donor countries. Its work is linked to the achievement of MDG 4 on child health and focuses on increasing access to vaccines in low-income countries. Between 2000 and 2008, 63 percent of its funds financed the uptake of new or underused vaccines, while another 19 percent went toward immunisation support services and 12 percent toward health system strengthening (GAVI Alliance 2009). The Alliance's work is guided by an oversight board including representatives from donor and developing country governments, multilateral agencies, the vaccine development industry, and a number of individuals represented in a private capacity.

A central element of GAVI's approach to promoting development has been its embrace of instruments taking inspiration from the private sector. One such instrument is the International Finance Facility for Immunisation (IFFIm), which uses long-term pledges of financial support from donors to raise capital from bonds on international markets to increase available resources in the near-term. Another market-focused instrument for increasing the capacity of the initiative to widen access to vaccines is the Advance Market Commitment Mechanism (ACM). The ACM aims to encourage vaccine development by offering a financial guarantee for eventual demand.<sup>21</sup> At the same time that GAVI has developed innovative financing instruments, it has also highlighted dilemmas that are common to other global vertical programmes. For example, the narrow focus of its objectives and preferences for distributing particular vaccines have potentially been at odds with ensuring partner country ownership, while coordination among stakeholders at the planning level has not necessarily translated into greater coordination among stakeholders at the country level (Radelet / Levine 2008). This last point indicates that a reliance on vertical programming also requires that donors work toward improving coordination internally.

The UN-initiated **Global Fund to fight AIDS, Tuberculosis, and Malaria** was designed as a vehicle for accelerating the global response to these three diseases. The Fund is considered a financial institution and is dependent on other organisations to implement the programmes that it funds. These programmes are selected in a demand-driven process of programming, centred on proposals emanating from so-called country coordinating mechanisms, which bring together a variety of stakeholders (development partners, business and civil society representatives, and governmental actors) to devise funding requests, which then pass through the Secretariat, a Technical Review Board, and the Fund's Board prior to final approval.<sup>22</sup> While the Fund prides itself on its demand-driven orientation and bureaucratic leanness, it also acknowledges that the procedures that it has established for obtaining funding need to be streamlined in order to achieve greater efficiency in implementation and

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<sup>21</sup> See <http://www.gavialliance.org> for more information about the Alliance's different financing instruments.

<sup>22</sup> This process is mapped out at: <http://www.theglobalfund.org/en/structures/?lang=en>.



suggests a need for better management of its relationships with partners and recipients alike (Global Fund 2009).

While vertical programming is generally associated with global initiatives, the largest vertical programme that has recently been created rests within a bilateral aid system: the **President's Emergency Plan for AIDS Relief (PEPFAR)** in the United States. PEPFAR epitomizes the prospect for duplication with existing efforts that comes from the desire to spotlight a narrow set of issues within a vertical programme. Not only does it have the same general goals as the Global Fund; it was also added to an already-fragmented US development assistance system featuring multiple agencies involved in implementing health programmes. The large scale of additional resources funnelled to the treatment, care, and prevention of HIV/AIDS has already had a demonstrated impact in the global fight against the disease. However, the large financial commitments the US government has made in this arena may end up placing pressure on other types of development spending in the future (Over 2008), offsetting benefits of the separate funding vehicle. Another issue confronting PEPFAR that it shares with other vertical programmes active in the sector is the need to contribute more to the strengthening of national health systems in order to allow for the long-term viability of its interventions (Oomman / Bernstein / Rosenzweig 2008).

#### 4.2. Looking toward the Future: Implications for Europe

The potentially negative impact of vertical programming on capacity building in recipient countries is closely linked to the call for vertical programmes to be better integrated into both national development strategies and country-level programmes (World Bank 2008). Donors have a critical role to play in preventing the emergence of parallel systems of implementation at the country level. This is especially due to their roles as stakeholders in the vertical programmes themselves. As suggested above, the consistency of vertical programming with ongoing country programming requires the strengthening of communication between donors' field offices and the parts of their bureaucracies that determine how to engage with global programmes. In addition, achieving greater coordination with the newer funds must be considered an extension of ongoing but still incomplete efforts to improve coordination among traditional development partners.

The pledges that have already been made to the largest global funds, especially in the health sector, ensure that these vehicles for providing assistance will maintain an important place in the global development landscape in the near term. One open question is whether donors will choose to distribute even more funding through these programmes in order to focus attention on specific issues. There is ground for caution concerning further reliance on vertical programming. For one, this targeted funding may have the effect of creating a kind of path dependency in specific sectors, potentially limiting flexibility in donor and recipient programming in the long-term. Another concern is that because of their bureaucratic leanness, donors may turn to vertical programming to avoid addressing internal problems of organisation and coordination within their development assistance programmes. In the short-term, this may allow for experimentation with innovative approaches for delivering development assistance outside of the confines of the existing system, however in the long-term, the creation of additional vertical programmes may create new

bureaucratic burdens. As a consequence, European donors should tread carefully in considering the value-added of new vertical programmes in the future.

## **5. Conclusion: A Call for Transparency, Knowledge Transfer, and Coordinated Action within the European Development System**

This paper has provided an overview of the development activities of a variety of non-state actors that have risen in prominence in recent years. The discussion has highlighted that there are still large information deficits about the scope of engagement of emerging non-state actors and about the nature of their impact on development outcomes. While actors such as global programmes and the Gates Foundation have invested in evaluating the effectiveness of the programmes they fund and publish progress reports, information on the philanthropic activities of firms in developing countries remains especially limited. European governments can contribute to increasing the transparency of the activities of these new donors by promoting improvements in financial reporting and monitoring and evaluation. The imperative for better monitoring of private aid efforts is especially strong where funding for development originates from entities that receive tax benefits from donor governments.

The non-state actors profiled in this paper can potentially bring not only fresh resources but also fresh thinking on how to meet global development goals, for example through the promotion of new investment models and the expansion of market-oriented aid instruments. However, there is a danger that new entrants to the development field may not adequately internalize lessons learned from the decades of experiences that have accumulated within the traditional donor community. The diversification of the giving landscape presents a burden for longstanding aid donors to transfer their knowledge to rising actors about how assistance can be distributed in a more effective and equitable manner. Efforts to provide outreach to avoid repeating past mistakes can lead to the diffusion of standards of best practice which may have a broader impact on the behaviour of actors (especially firms) in developing countries. In the process of intensifying dialogue with emerging non-state actors, European donors themselves have the prospect to gain valuable know-how, which will be of special relevance in stimulating entrepreneurship and private sector development.

Finally, the diversifying development landscape also provides an impulse for European donors to make progress in their own internal coordination efforts. A better coordinated EU aid system can provide a valuable contact point for external actors and the EU level is an appropriate level for devising strategies on how to engage with and monitor the activities of new non-state actors, given that many of the most prominent emerging actors are either from outside of Europe or multinational in orientation. Moreover, criticisms of limited coordination with existing aid mechanisms that are levied against new actors have limited credence unless they are accompanied by real efforts on the part of European donors to reduce fragmentation and to harmonise development practice within their own aid systems.

One element of increasing internal coordination on approaches to dealing with the non-state actors profiled in this paper is to strengthen mutual learning about the experiences that bilateral donors within the EU have collected to date in cooperating with foundations and private actors in particular. In the Nordic

countries, for instance, there has been a long tradition of cooperation with the business community in the development policy arena, which has not only helped to sustain support for generous public aid programmes but has also stimulated interest among private actors in increasing their engagement in developing countries in a manner that moves beyond simple export promotion schemes. The example underlines that heightened engagement with non-state actors is of value not only in mobilising additional resources for development but also in shaping how these actors will engage with the rest of the world in the future.

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Over the next decade, Europe's development policies will have to act on a combination of old and new domestic issues and substantial changes in the global landscape. Change in Europe's internal architecture – with implications for development policy – takes place in times of wide-ranging global shifts, and at a time when questions of European identity loom large in national debates. A key questions is: How will the EU, how will “Brussels” and the member states be working together on common problems? Global challenges include three issues increasingly facing EU's development policy agenda:

- The emergence of new substantial actors in international development,
- The linkage between energy security, democracy and development and
- The impact of climate change on development.



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Socio-economic Sciences and  
Humanities theme

Public and policy-making debates need to be informed about future options and their likely effects; and decisions need to be based on good research and sound evidence. EDC2020 seeks “to improve EU policy-makers’ and other societal actors’ shared understanding of the above named emerging challenges facing EU development policy and external action.” EDC2020 will contribute to this shared understanding by promoting interaction across research and policy-making, aiming at establishing links to share perspectives across different arenas, and mutual learning. To this aim, EDC2020 will provide policy-oriented publications, a shared project website and high-level European policy forums.

The three-year consortium project EDC2020 is funded by the 7th Framework Programme of the European Union. More information about our the EDC2020 project can be found at [www.edc2020.eu](http://www.edc2020.eu)



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