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The  
Nuffield  
Foundation

# Going global

A review of  
international  
development  
funding  
by UK trusts  
and foundations

June 2007

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# Executive summary

## Background

For many UK foundations, funding work in developing countries presents a dilemma. On the one hand, the potential benefits are great: the need is unquestioned and grants that are modest by UK standards can have a major impact. On the other hand, funding internationally can involve moving into unfamiliar territory and may appear difficult operationally. Larger foundations, or those that concentrate a substantial proportion of their funds on development, may be able to justify the necessary investment in infrastructure to support their programmes. However, this is not usually an option for those who fund on a smaller scale.

This study was commissioned by the Baring Foundation, Paul Hamlyn Foundation and the Nuffield Foundation. All three fund international development on a relatively small scale, spending between £500,000 and £1m per annum. Their view is that the benefits of supporting international work can be very great and that the difficulties, while real enough, are far from insurmountable.

These foundations' principal aim in commissioning the study was to learn from their own experience and the experience of others so that they, and others in a similar position, could improve their practice. By setting out what was possible and how it was achieved, they also hope that they might encourage other funders to consider supporting work in developing countries, either on their own or in partnership.

## Method and scope

New Philanthropy Capital was commissioned to carry out the study, which was based on interviews and desk research.

The study considered the perspective of foundations funding international development on a 'smaller scale'. For the purpose of the study, 'smaller scale' was defined as between £50,000 and £1m per annum spent on international development, regardless of the overall scale of funding of the foundation.

## Findings

Relating to UK foundations generally:

- The UK government funds international development on a very much larger scale than foundations. However, government funding of civil society organisations is limited, whereas this is the main focus of foundations' funding. In the funding of civil society organisations foundations play a significant role.
- Amongst the UK public, international giving is the most popular cause for donations, receiving 13% of total public giving (over £1bn per annum). By contrast, only 5% of foundations' total funding goes internationally. Relatively few foundations have programmes for international development.
- Most of the foundations that fund on a larger scale are relatively newly formed; this may reflect an increased awareness of development issues in recent years.
- Changes in government funding means many small and medium-sized UK-based INGOs are struggling to fund their work. Foundations are able to address some of the organisations' needs resulting from this.
- Grant seekers see advantages in funding provided by foundations. Foundations are seen to be flexible and able to respond rapidly to changing needs; willing to support unpopular or marginal issues; and open to trying out new approaches or projects.

Relating to foundations funding on a 'smaller scale':

- Foundations of all sizes contribute to funding international development. The funders in the study commit anywhere between 5% and 100% of their total funds to international development.
- The reasons why the foundations in the study fund international work vary. Most do so in response to their founders' wishes. All are conscious that money goes a lot further in developing countries than in the UK, so that relatively small sums have the potential to make a real difference to people's lives.

- Funding international development does pose challenges, but the foundations in the study have found various ways of overcoming them.
- The methods foundations use for funding international development vary. In many cases the foundations in the study are able to use their standard grant processes with appropriate modifications.
- Most of the foundations in the study fund alone. Collaboration is unusual and is rarely considered.
- Most of the foundations in the study are generalists. Very few focus narrowly, either by geography or theme, in their support of international work.
- The foundations in the study are aware of the potential risks of funding internationally but have found ways of handling these risks—for example, by working through UK intermediaries.

## Next steps

During the course of the research, it became evident that there was a wider and more general interest in non-governmental support for international development. While the study focused on the UK alone, the researchers and the steering committee became aware of a similar level of interest in Europe and the US. Government aid agencies also seem keen to explore collaborations with foundations. At the same time, the role of the newer foundations in funding international work and the increase in organisations and individuals exploring new methods for philanthropy are changing the context in which the funders in this study operate.

These issues go beyond the scope of the present study but further investigation would be timely and productive. The commissioning group is discussing ways of progressing this agenda.

**The group would be interested to hear from foundations and other organisations that would like to explore any aspect of the issues raised in the report.**

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# Foreword

For many UK foundations, funding work in developing countries presents a dilemma. On the one hand, the potential benefits are great: the need is unquestioned and grants that are modest by UK standards can make a significant impact. On the other hand, funding internationally can involve moving into unfamiliar territory and may appear difficult operationally. Larger foundations, or those that concentrate a substantial proportion of their funds on development, may be able to justify the necessary investment in infrastructure to support their programmes. However, this is not usually an option for those who fund on a smaller scale. The foundations for which we work (the Baring Foundation, Paul Hamlyn Foundation and the Nuffield Foundation) have developed different funding models to deal with this dilemma.

We commissioned this study for two reasons. First, by learning more about the context in which we work and about the methods that are being used, we hoped to improve our own grant programmes and to gather information that would be helpful to others who fund on a similar scale. Second, by describing and explaining the funding mechanisms used by those funding on a small to medium scale, we hoped that others would be encouraged to consider making grants for work in developing countries, either on their own or through partnerships.

New Philanthropy Capital (NPC) was commissioned to carry out this study. Their team has done an excellent job and we are grateful to Lucy de Las Casas and Caroline Fiennes, who carried out the research and drafted the report. The project was steered by a small committee consisting of the undersigned, plus Sarah Lock (Nuffield Foundation), John Twigg (International Adviser to the Baring Foundation) and Birgitta Clift (Lloyds TSB Foundation for England and Wales). Sarah coordinated the project with energy and enthusiasm and our thanks are due to her for keeping us on task and on time. We also thank the many people listed in the acknowledgements section who agreed to be interviewed, and who supplied information and comment in other ways. We are particularly grateful to Catherine Graham-Harrison, Dawn Austwick and David Hall, who gave helpful advice on the draft report. The project was funded jointly by the three foundations and the Lloyds TSB Foundation for England and Wales, to whom we give our thanks.

## The findings of the report, and where they lead

Supporting international development is not always straightforward for a small-scale funder, but the foundations featured in this report do so routinely and with success. Many foundations operate in ways that are not very different from their normal procedures. The report shows that independent foundations fill a niche that is different from that of larger mainstream funders, and are highly valued for that reason. Above all, the benefits of funding international development projects can be huge. While the outcomes of funding are not the main focus of the report, the examples that are included illustrate the impact that independent funding, carefully targeted, can achieve.

As the project developed, we were confident that we would achieve the first of our aims within the year or so that we had planned, but we became increasingly aware that the second aim would have to be on a longer time scale. Foundations do not decide lightly to enter a new field and the reasons behind their decisions can be complex. We hope that the report will stimulate wide interest and we will be organising a number of events and workshops over the coming months to discuss the issues it raises. We also hope that the examples and analysis in this report will be helpful to those who are considering funding internationally, and may encourage some who are not yet in that position.

During the course of the research we were encouraged to find that other organisations in Europe and in the US, including government aid agencies, shared our interest in the issue of foundation funding for international development, opening up the opportunity for discussions and possible co-operation at the international level. At the same time, we became aware that the role of the newer foundations in funding international work, and the increase in organisations and individuals exploring new methods for philanthropy, are changing the context in which the funders in this study operate. These issues go beyond the scope of the present study but we believe that further investigation would be timely and productive. We intend to progress this agenda in the near future.

We invite anyone who would like to know more to get in touch with any one of us, or with Sarah Lock at the Nuffield Foundation:  
[slock@nuffieldfoundation.org](mailto:slock@nuffieldfoundation.org)

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# Definitions

## Civil society/civil society organisation

The term 'civil society' is increasingly used, but its meaning is much debated. A broad definition is 'the groups and organisations that occupy a position between the household, the state and the private sector'.<sup>1</sup>

Civil society organisations therefore include registered charities and NGOs, but also community groups, trade unions, business associations, cooperatives, faith-based organisations, recreational groups, think tanks, indigenous groups and philanthropic organisations.

## Community-based organisation

A community-based organisation is a type of NGO, also sometimes referred to as a grassroots organisation. They are normally made up of a group of individuals who have joined together to respond to a need or situation that is common to them. Examples include women's groups, credit circles, youth clubs, cooperatives and farmers' associations.

## Foundation

In this report 'foundation' is used to refer to both trusts and foundations.

## Non-governmental organisation

Non-governmental organisations (NGOs) are part of civil society. In this study, NGO refers to a non-profit making organisation pursuing 'activities to promote the interests of the poor, protect the environment, provide basic social services, relieve suffering or undertake community development'.<sup>2</sup> In the field of development, NGOs range from large Northern-based charities operating internationally, such as Oxfam, Save the Children and ActionAid, to community-based groups in developing countries.

The majority of foundation funding for international development goes to NGOs.

An international NGO (INGO) is an NGO that works internationally. A UK-based INGO is based in the UK and works internationally.

## Smaller scale funders of international development

For the purpose of the study, we define 'smaller scale' as between £50,000 and £1m per annum spent on international development, regardless of the overall scale of funding of a foundation.

# Acronyms

<b>DFID</b>	Department for International Development (the UK Government department responsible for promoting development and the reduction of poverty)	<b>NGO</b>	Non-governmental organisation
<b>INGO</b>	International non-governmental organisation	<b>PPA</b>	Programme Partnership Agreement (funding agreements between DFID and UK INGOS)

<sup>1</sup>Department for International Development (2006) *Civil Society and Development: How DFID works in partnership with civil society to deliver the Millennium Development Goals*, p2.

<sup>2</sup>World Bank, 'Glossary of Terms for Poverty and Social Impact Analysis', <http://lnweb18.worldbank.org/ESSD/sdvext.nsf/PrintFriendly/89A80C631F1A892085256D50004D80DB?Opendocument>, accessed 28/03/07.

# Purpose, scope and method

# 1

## 1.1 Purpose of the study

This study was commissioned by the Baring Foundation, Paul Hamlyn Foundation and the Nuffield Foundation. These foundations fund international development, but on a relatively small scale; that is they spend around £500,000 per annum on their international programmes.

Funding on this scale offers substantial rewards but also poses challenges. The foundations were interested in exploring how they and others dealt with some of the problems and dilemmas that can arise. They wished in particular to:

- understand better the funding context in which they work;
- identify others who fund on a similar scale;
- learn about their methods and motivations;
- learn more about the views of grant seekers; and
- identify other potential funders, if possible.

Their principal aim was to learn from their own experience and the experience of others so that they could improve their practice. They also hoped that, by setting out what was possible and how it was achieved, they might encourage other funders to consider supporting work in developing countries, either on their own or in partnership with others. Their conviction is that the benefits can be very great and that the difficulties, while real enough, are far from insurmountable.

In this report:

**Section 1** outlines the purpose, scope and method of the study.

**Section 2** places the funding of international development by UK foundations into context, and asks how foundations funding on a small scale can add value to international development.

**Section 3** identifies UK foundations that currently fund international development and looks at what they fund and why they do so. It also looks at barriers to funding international development.

**Section 4** explores the range of approaches that foundations funding international development take, and the reasons why they are appropriate in different circumstances. It looks at approaches from the perspective of a funder, and does not consider differences in effectiveness in delivering benefit to beneficiaries.

**Section 5** highlights the key findings of this study.

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## The Baring Foundation: Supporting women's groups in South Sudan

South Sudan Women Concern (SSWC) is a small NGO, run by Sudanese living in the UK and South Sudan. In the UK, its work is mostly educational; in Sudan it has focused on women affected by the long-running civil war.

A project funded by the Baring Foundation from 2001–2004 supported 20 women's groups in rural communities, set up by women returning to their villages from refugee camps as fighting subsided. The majority of these women were widows or had been separated from their husbands by the war. They needed support to develop their organisations—and to rebuild their lives and livelihoods.

The £239,850 project helped to train more than 800 women in the basics of running an organisation. As a result of the training, 11 village centres were set up where women could meet one another and gain access to information. The women were also trained in practical skills (particularly in ploughing, crop cultivation, livestock management and small business development). This improved their ability to produce food for their families. Members increased their income and were able to pay school fees for their children.

Against a backdrop of ongoing conflict, the women's groups were trained in lobbying and advocacy skills, which they used to speak to local civil and military authorities. As a result attacks on civilians by soldiers decreased and women felt safer travelling and working in their fields.

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## 1.2 Scope

The study considered the perspective of foundations funding international development on a 'smaller scale'. For the purpose of the study we define 'smaller scale' as between £50,000 and £1m per annum spent on international development, regardless of the overall scale of funding of a foundation.

The study looks at approaches to funding international development, and the strengths and challenges associated with these from a funder's point of view. Unfortunately, it is beyond the scope of the study to consider the effectiveness of different approaches at delivering benefit to beneficiaries. It assumes that funds going to developing countries are beneficial, regardless of the approach taken by the funder to get the funds there. Of course, effectiveness will be a consideration for funders of international development, and one that experts working in the area can advise on.

We used a broad definition of international development for the study. We considered foundations funding organisations (usually NGOs) to carry out activities that would generally be associated with development and that were taking place in, or in the interests of, developing countries. We excluded foundations purely funding research, conservation work or humanitarian aid, and foundations funding work in countries that would not be thought of as developing.

A more detailed discussion of the scope can be found in Appendix A.

## 1.3 Method

The research was carried out by NPC between May and November 2006. All the material used in the study was collected from publicly available information and from interviews with the individuals listed in the Acknowledgements section.

Information on the context of international development funding (Section 2) was collected from publicly available information.

Funders of international development (Section 3) were identified using Trustfunding.org.uk, and *A Guide to the Major Trusts*, Directory of Social Change, 2005/06. It is possible that some foundations have been missed, for instance we have noticed a foundation in Scotland was not picked up. This may be because the source we used relies on data from the Charity Commission. Information on the foundations was collected from their websites and their most recently available annual reports.

Case studies of funders of international development were based on information from interviews. We selected a range of foundations that demonstrated different approaches to funding international development.

Views from development INGOs on funding trends and the role of foundations in funding international development (Section 2) were collected through telephone interviews.

The study was also informed by interviews with other experts. These interviews generally covered reasons for and against funding international development, opinions on different methods of funding, and trends in the funding environment.

The data and information presented is the best that we could find, and is sourced throughout the report. We believe that it presents a robust view of the current situation. However, it is not without fault, particularly the quantitative data: pieces of it are contested, out of date, high-level or not specific. In some cases, we have had to use our judgement or best estimates, and where this is the case it is indicated. The data also presents a snap-shot view; unfortunately there is little consolidated information available over time, and the resources required to collect this were not available for the project. The data collected was the most recently available information at the time the research was carried out, and therefore does not all relate to the same time period.

A more detailed discussion of the method can be found in Appendix B.

# 2

# The role of foundations in funding international development

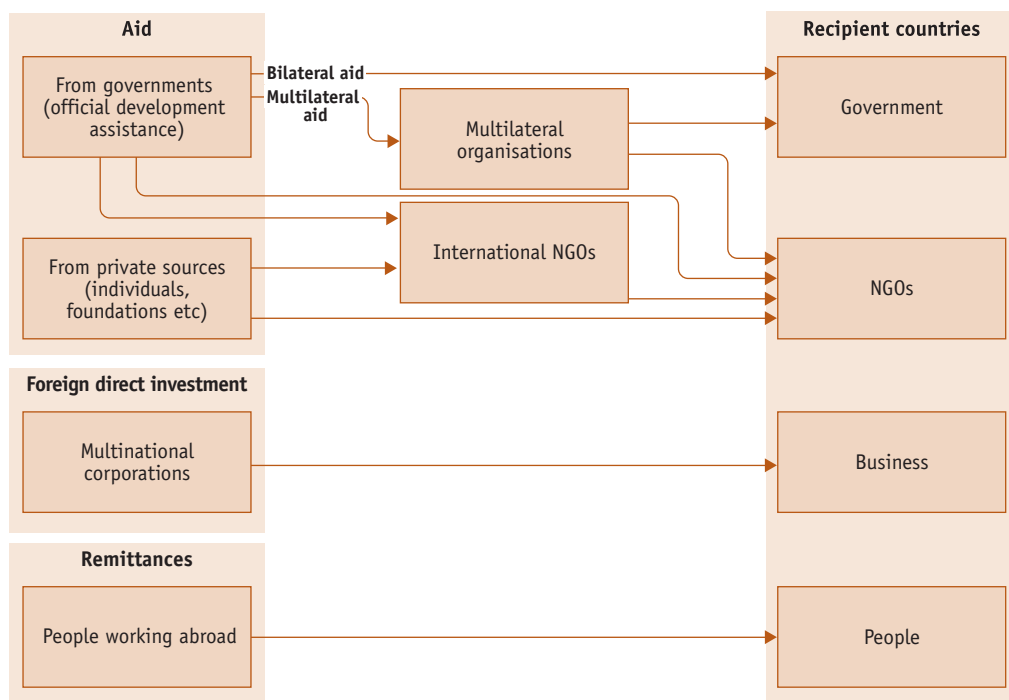
Why should foundations fund international development work? Whilst overall their contribution is not large, they make an important contribution in two ways: firstly, they are significant funders of civil society organisations; and secondly, they can add value over and above their funding through the way in which they fund and support civil society organisations.

This section looks at the context in which foundations fund international development work, and identifies why foundation funding is valuable.

## 2.1 Context of international funding

The debate about who should give how much aid is part of a bigger picture. Aid is only one type of funding that supports international development. Aid makes an important contribution to development, but is not sufficient on its own. Foreign direct investment (ie, investment in foreign countries by multinational businesses) and remittances (ie, flows of funds from foreign nationals living abroad back to their home countries) also represent major funding flows, which in many cases are more substantial than aid. Figure 1 provides a simplified view of the funding flows that contribute to international development.

Figure 1: High-level view of funding flows contributing to international development



*The UK government funds international development on a very much larger scale than foundations. However, government funding of civil society organisations is limited, whereas this is the main focus of foundations' funding. In the funding of civil society organisations foundations play a significant role.*

However, the importance of foreign direct investment and remittances should not undermine the crucial role of aid, which provides support for economic development and welfare to the countries that most need it.

There are different types of aid. Development aid contributes to long-term development goals, whilst humanitarian aid provides emergency relief in response to crises. Official development assistance (ODA) comes from governments, and flows either bilaterally (ie, from government to government), multilaterally (ie, from government to a multilateral organisation, such as the European Commission (EC), World Bank or United Nations (UN) agencies), or, to a limited extent, through civil society organisations.

Private aid comes from private sources such as individuals or foundations. For the purposes of this report, the focus is on private development aid, ie, funding going towards long-term development goals from private sources, in this case from foundations.

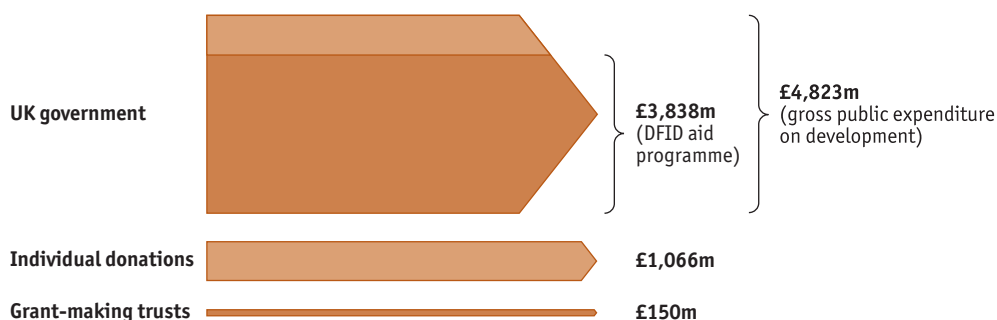
## 2.2 UK funding for international development

In the UK, the sources of funding for international development are the government, individuals, foundations and corporates.

Figure 2 shows the amount of funding from government,<sup>3</sup> individuals<sup>4</sup> and foundations<sup>5</sup> in 2004/2005 (data on corporates was not available). From this it appears that foundations make only a small contribution to funding international development, giving £150m of funding per annum, in comparison with £4,823m from the UK government and £1,066m from individuals (ie, donations from the general public).

However, only a fraction of the UK government's total funding goes to civil society organisations – £328m in 2004/2005<sup>6</sup>; most goes directly to other governments or to multilateral organisations. This contrasts with individuals and foundations, whose funding goes almost exclusively to civil society organisations (mainly NGOs).

**Figure 2: Funding for international development from the UK (2004/2005)**



<sup>3</sup>Department for International Development (2005) *Statistics on International Development*.

<sup>4</sup>Charities Aid Foundation (CAF)/National Council for Voluntary Organisations (NCVO) UK Giving Survey 2004/2005.

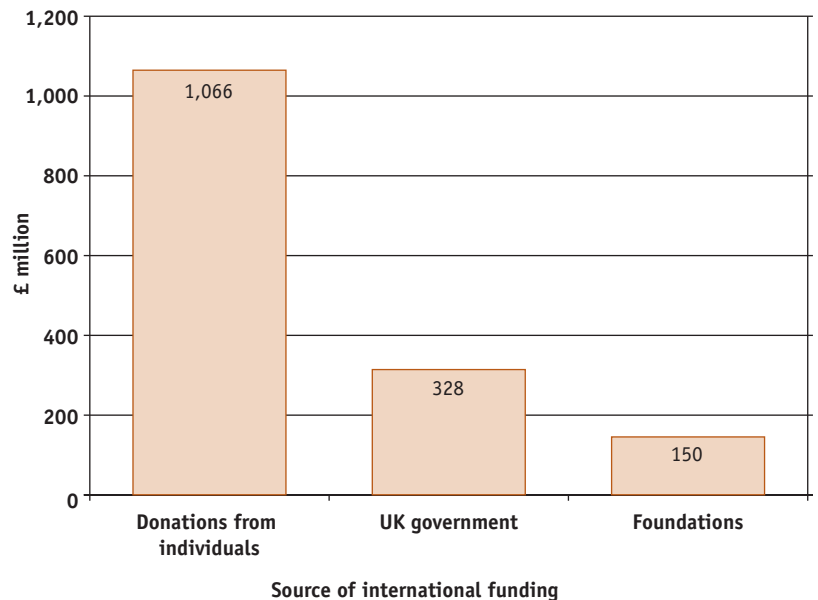
<sup>5</sup>Charities Aid Foundation (CAF) *Charity Trends 2006*.

<sup>6</sup>Statistics on International Development (2005); includes UK and non-UK civil society organisations.

This reveals a different picture (Figure 3)<sup>7</sup>, and demonstrates that foundations are significant funders of civil society organisations. Civil society organisations play a number of key roles in development (see Box 1), and as they are only supported to a limited extent by official aid from governments, funding from other sources is crucial.

It is interesting to compare the popularity of international development causes among the UK public and UK foundations. International development is the most popular cause with the public, receiving over £1bn pa, which represents 13% of total public giving. In comparison, only 5% of total foundation funding, or £150m, goes to international development.<sup>9</sup>

**Figure 3: Amount of funding going internationally from the UK to civil society organisations in 2004/2005<sup>8</sup>**



*Amongst the UK public, international giving is the most popular cause for donations, receiving 13% of total public giving (over £1bn per annum). By contrast only 5% of foundations' total funding goes internationally. Relatively few foundations have programmes for international development.*

### Nuffield Foundation: Training scientists in Tanzania

The Nuffield Foundation gave a grant of £250,000 to support the development of research and practice in biomedical sciences in northern Tanzania over five years. Working with the health services faculty of Tuimaini University, University College London helped to establish a diploma and a BSc in Laboratory Health Sciences.

East African scientists were recruited as assistant lecturers and enrolled onto the PhD programme at UCL and an exchange programme was initiated for experienced staff. By the end of the five years 50 students had enrolled on the diploma, and nineteen of these had completed the course and gone on to laboratory appointments at hospitals and dispensaries.

The BSc Laboratory Sciences began in the fourth year of the project, enrolling an initial ten students. All the students are self-funding, contributing significantly to their sustainability. The increased research capacity helped Tuimaini secure a major grant from the European Developing Country Clinical Trials Partnership, which in turn will strengthen its capacity to compete for further research grants.

<sup>7</sup>Assumes that all funding from individuals and foundations goes to civil society organisations.

<sup>8</sup>These figures should be viewed with caution but serve as an overview of the situation – see p40.

<sup>9</sup>Charities Aid Foundation (CAF)/National Council for Voluntary Organisations (NCVO) UK Giving Survey 2004/2005.

## Box 1: The role of civil society organisations in development

Civil society refers to the wide array of non-governmental and not-for-profit organisations that work in between the household, the private sector and the state, offering citizens and communities space for debate, association, critical reflection and action. These civil society organisations – CSOs - include community groups, non-governmental organisations (NGOs), trade unions, indigenous groups, charitable organisations, faith-based organisations, professional associations, and foundations. The roles of civil society are outlined below (taken from DFID’s publication ‘Civil Society and Development’ (2006)).<sup>10</sup>

### Building voice and accountability

Civil society provides people with the space for association, reflection and action, empowering citizens to participate and to hold their governments to account.

- **Policy formulation:** civil society has a crucial role to play in empowering and representing the poor in policy formulation at a local and national level.
- **Monitoring services and budgets:** civil society has a role to play in improving state services through monitoring, demanding transparency and accountability, and ensuring inclusive access to services.
- **Conflict resolution:** civil society can provide a voice for communities. The positioning of civil society means that it can make a distinct contribution in resolving conflict.
- **Global advocacy:** because many key decisions are now made at a global level, civil society has a role in global advocacy. The successful campaigns on landmines and the growing strength of the coalition around trade issues illustrate this.

### Providing services and humanitarian assistance

Civil society can play an important role, particularly in fragile states, by delivering services to poor people and developing new, innovative approaches to reducing poverty. It also has an important role to play in responding to humanitarian crises.

- **Provision of services:** civil society can play a valuable role in service delivery.
- **Humanitarian aid and service provision in difficult environments:** there are many examples where there are no nationally agreed strategies and where there are serious gaps in provision, especially in emergencies, conflicts and fragile states. Civil society often steps in to fill these gaps.
- **Developing new approaches:** civil society can play an important role in identifying, piloting and replicating innovative approaches to service delivery. Service provision can also provide a basis and legitimacy for civil society to advocate for change in the delivery of government services.

### Promoting awareness and understanding of development

The maintenance of a dynamic and independent international development community in the UK and globally is important to build support for development and to contribute to policy debate and the knowledge base for development.

- **Building support for development:** civil society organisations are very important in raising the profile of, and promoting development to, a diverse audience.
- **A knowledge base for international development:** through research and analysis, policy debate and operational experience, civil society contributes to the knowledge base that is essential for the functioning of the international development community.

<sup>10</sup>DFID (2006) Civil Society and Development: How DFID works in partnership with civil society to deliver the Millennium Development Goals. The text is largely taken directly from the source, but has been shortened in some places.



## 2.3 Trends in UK funding of international development

As part of the research, we asked interviewees about trends in funding for international development. This section presents the main themes that emerged. It is based on people's opinions and therefore some of the points may be debated.

It was clear from the interviews that small and medium-sized UK-based international non-governmental organisations (INGOs) in particular are facing difficulties in accessing funding for their work because of two important funding trends: direct in-country funding and strategic funding.

We heard that the Department for International Development's (DFID) move to Direct Budget Support (ie, providing aid directly to the government budgets of developing countries) has been accompanied by a move away from funding civil society organisations to deliver services. Instead, DFID is funding work that empowers citizens to lobby their government for services and hold it to account. This is affecting many small and medium-sized INGOs that are involved in supporting service provision in marginalised areas.

Many people commented on the impact of DFID's move to Programme Partnership Agreements (PPAs), which are funding agreements between DFID and UK INGOs. They provide INGOs with significant levels of funding (typically between £1m and £5m pa) over three to five years, with which to achieve agreed aims in support of DFID's strategy. The impact of PPAs has been to concentrate DFID funding on a few, well-established, and often large, INGOs to the exclusion of small, medium and less well-established INGOs.

Interviewees commented that many of the larger funders are becoming more strategic in their funding, and are moving towards more focused and longer term funding. For many funders, in particular DFID, the strategic direction is set by the Millennium Development Goals (MDGs)—a set of eight priority areas for development that were adopted by the world's

governments in 2000 and commit to achieving certain targets by 2015, such as eradicating extreme poverty and achieving universal primary education. Funding is focused on particular issues in order to achieve these goals, which reduces the funding available to INGOs working on other issues.

Again, this is having an impact on the ability of small and medium-sized INGOs to access funding. This was reflected in BOND's (British Overseas NGOs for Development) lobbying of the Big Lottery Fund to retain an open funding programme for small and medium-sized INGOs. The difficulties faced by these organisations are compounded as they often find it difficult to fundraise from the public because they have a low profile and do not have the resources to invest in fundraising.

### The role of small and medium-sized INGOs

These trends of in-country funding to build capacity in developing countries, and strategic funding are both clearly desirable. However, this does not change the fact that small and medium-sized INGOs that do valuable work are struggling as a result. In our interviews, both charities and funders emphasised the value that such INGOs add, for instance, in providing services in marginalised areas or working for marginalised issues that are not picked up in mainstream development; providing advice, expertise and capacity building; sharing knowledge and linking up organisations or projects working on similar issues; and providing a link to policy formulation at all levels—local, national and international.

The importance of pluralism and having a range of groups represented in the sector was mentioned, as was the role of INGOs in ensuring this in developing countries. INGOs pointed out that only a small number of the most developed in-country NGOs have the capacity to get grants from foreign funders. Sending funding through INGOs therefore avoids the risk that all funding goes to the same in-country NGOs, as INGOs can discover new work and NGOs through their networks and knowledge.

*Changes in government funding means many small- and medium-sized UK-based INGOs are struggling to fund their work. Foundations are able to address some of the organisations' needs resulting from this.*

*Grant seekers see advantages in funding provided by foundations. Foundations are seen to be flexible and able to respond rapidly to changing needs; willing to support unpopular or marginal issues; and open to trying out new approaches or projects.*

## 2.4 The value of foundation funding in international development

Foundation funding is important beyond the monetary support it gives. Foundations can make an impact because of the way in which they can fund. As part of the study we asked charities and funders how foundations add value to international development funding.

### Charities' perspective on the value foundations add

This section summarises the views of the individuals working in INGOs that we spoke to about the distinctive role that foundations can play in international development.

- **Independence:** NGOs highlighted the importance of the independence of foundations, which gives them freedom in deciding what to fund. This contrasts with government funding, which must follow the determined government priorities, and also with donations from individuals, which tend to go to a few, high profile areas. Foundations can support other issues, for instance, under-funded areas such as unpopular or marginalised issues, or emerging issues; they can use funding to raise awareness and encourage work in such areas; or they can continue to support an issue after government and public interest has moved on.

- **Flexibility:** In a similar vein, some INGOs highlighted the value of the flexibility of foundations. This means that foundations can respond to changes or trends, often more rapidly than other funders can. For instance, foundations could respond to a change in government funding policy that affects a particular type of NGO, or can respond quickly to an emerging need.
  - **Ability to offer support:** The ability and willingness of foundations to support charities with more than money was an important theme. Some examples of the types of support that charities value are:
    - arranging opportunities for charities to learn from, or share knowledge with, each other;
    - supporting learning, for instance, through independent evaluations;
    - being flexible when charities are operating in unpredictable or complex environments; and
    - showing interest and enthusiasm.

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## Tudor Trust: Helping women to farm sustainably in Uganda

The Tudor Trust gave the Katosi Women Development Trust in Uganda a grant of £1,603 to take 25 women farmers on a 'see and learn' trip to St. Jude Family Projects, a sustainable farming project in Uganda.

Women farmers in rural Uganda typically have just one to three acres of land on which to grow food to feed their families and to sell. St. Jude's shows how much can be done with a limited amount of land and resources. The farm generates increased yields at reduced costs by using modern principles of sustainable agriculture, including organic fertilisation, improved seeds and breeds, and recycling of waste.

The idea is to support groups to do something they would not normally have the resources to do, which will help them develop as an organisation.

"I can't wait to let you know that we have just ended our three-day exposure visit at St. Jude. This is all I had wished the women I work with to see; it was so inspiring and very educative. The exposure will transform lives..."

**Woman farmer**

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- **Type of funding:** NGOs commented on particular foundation funding practices, which, although not unique to foundations, they find helpful. One of these is funding over the longer term, eg, three to five years, which is important because the complexity of development work means that it often takes a long time to deliver results.

The importance of unrestricted funding was also important because, PPAs aside, most funding from institutional donors such as DFID or the EU is project based, often covers the costs of only a proportion of what charities want to do, and has tightly defined targets in line with priorities. Charities find this affects the quality and range of work they can do and their ability to meet real needs on the ground. Providing unrestricted funding supports charities to do some of the work that they think is necessary.

Foundations also help by funding things that charities find hard to fund, for instance, organisational development; capacity building; trialling new approaches or projects; small in-country organisations doing excellent work that cannot be ‘packaged’ into the project format that many larger funders require; and lobbying for changes at a national and international level.

#### **Foundations’ perspective on the value they add**

Our interviews with foundations highlighted ways in which they believe they add value to the charities that they fund. The way in which they work with charities helps them to develop and deliver, for instance being responsive to the needs of the charity and what they want to deliver; and being consistent—allowing charities to develop their work, and encouraging creativity by providing some stability.

Foundations also encourage knowledge development within and between the charities that they fund. Examples of this include supporting knowledge transfer from the UK to developing countries, from developing countries to the UK, and between developing countries; funding independent evaluations that help organisations to learn and improve, and providing funding for organisations to develop their people and systems.

# UK foundations funding international development

# 3

This section looks at UK foundations that fund international development work, and explores the reasons why they do so, and the reasons why others choose not to. NPC identified UK foundations giving over £50,000 per annum to international development. We split these into two groups: those giving over £1m pa, which we called 'large-scale funders'; and those giving between £50,000 and £1m pa, which we called 'smaller-scale funders'.

## 3.1 Which UK foundations fund international development?

We identified 60 foundations giving more than £50,000 per annum to international development. Twelve of these are large-scale funders, ie, they each gave more than £1m to international development work in 2005,<sup>11</sup> and they collectively contributed £86.8m (Table 1).

We identified 48 smaller-scale funders, ie, each giving between £50,000 and £1m pa, which collectively gave £13.2m towards international development in 2005. Table 2 lists these foundations, and an overview of how much, where and what they fund.

There are some caveats on this data. It provides a snapshot of foundations' activities in funding international work, which will of course vary from year to year. The research methodology is explained in Appendix B. Although there are inevitably inaccuracies in this data, we believe it provides a useful overview of the sector.

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## The JJ Charitable Trust (a Sainsbury Family Charitable Trust): Putting food on tables in Mali

The Joliba Trust—which is supported by the JJ Charitable Trust—is a small organisation operating in ten districts in Mali. It works with local communities to develop strategies to cope with the droughts and to avoid the food shortages that have plagued West Africa in recent years.

By providing training and resources to the farming community in Mali, which is already skilled, industrious and highly organised, the project has been able to improve productivity and contribute to soil protection, soil and plant nutrition, natural methods of pest control and an extensive agro-forestry programme.

These techniques have made sure that families have enough food on their tables in the long term and have prevented households from experiencing the most devastating effects of the recent famines.

JJ Charitable Trust supported the Joliba Trust's core natural resource management work for three years. They made grants totaling £70,000 over the last three years and have a further one-year grant of £10,000 remaining.

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<sup>11</sup>The Wellcome Trust is not included, as it gives to research work in developing countries rather than international development work. NGOs that act as re-granters (eg, Christian Aid and Oxfam) are not included, because they run their own operations as well as giving grants.

**Table 1: Large-scale funders of international development<sup>12</sup>**

Organisation	International development grants (£m)	Year	Focus areas within international development
Big Lottery Fund	23.5	2005/06	Health, education, livelihoods and human rights
Aga Khan Foundation UK	11.9	2005	Rural development, civil society and governance, and water and sanitation
Comic Relief	10.7	2005	Children and young people, HIV/AIDS, women, conflict, urban slums and trade
Vodafone Group Foundation	10.6	2005	Sharing the benefits of mobile technology and protecting the environment
Gatsby Charitable Foundation	5.6	2005	Sustainable agriculture, education and small-scale enterprise
Absolute Return for Kids	5.0	2005	HIV/AIDS, finding homes for children in institutions
Elton John Aids Foundation UK	4.0	2005	People affected by HIV/AIDS
Sigrid Rausing Trust	4.0 (est)	2005	Human rights, womens' rights, minority rights and environmental advocacy
Parthenon Trust	3.3	2005	International development and disaster relief
Westminster Foundation for Democracy	3.2	2005/06	Strengthening democratic institutions
Diana, Princess of Wales Memorial Fund	2.6	2005	Palliative care in sub saharan Africa and post-conflict work
Shell Foundation	2.4	2005	Sustainable energy and sustainable communities

<sup>12</sup>Based on latest available annual accounts/budgets, NPC interviews, and NPC best estimate where exact figures are not available.

Table 2: Smaller-scale funders of international development<sup>13</sup>

	Name	Intl dev grants £	% of total grants	Focus – Geography	Focus – Theme
1	Tudor Trust	828,400	4%	Sub-Saharan Africa	Sustainable agriculture
2	Childwick Trust	808,000	35%	South Africa	Pre-school education
3	Beit Trust	650,000	73%	Malawi, Zambia and Zimbabwe	Health, education, welfare and environment
4	Allan and Nesta Ferguson Charitable Settlement	585,508	18%	Developing countries	Overseas development Support of education for overseas post graduate students
5	The Haremead Trust	585,000	51%	Developing countries	None
6	Paul Hamlyn Foundation	567,299	5%	India	Disabilities, education, health, livelihoods
7	Nuffield Foundation	500,000	10%	Commonwealth countries in Southern and Eastern Africa	Education, health and social welfare
8	Joseph Rowntree Charitable Trust	485,000	10%	South Africa - primarily KwaZulu Natal	Human rights, rural poverty and conflict
9	Maurice and Hilda Laing Charitable Trust	472,500	28%	Developing countries	Various
10	Linbury Trust (a Sainsbury Family Charitable Trust)	455,000	7%	Developing countries	Relief
11	Baring Foundation	448,572	18%	Sub-Saharan Africa	Capacity-building Southern NGOs to deal with issues arising from migration and displacement
12	The Rufford Maurice Laing Foundation	430,000	10%	Developing countries	Various and HIV/AIDS
13	Mercury Phoenix Trust	410,010	95%	Africa, Asia, India	HIV/AIDS
14	H C D Memorial Fund	350,000	48%	Africa, South and Central America, Eastern Europe, India	Medical work, poverty relief and education
15	Lloyds TSB Foundation for England and Wales	346,732	2%	Countries with low Human Development Index ranking	Disabled people
16	John Ellerman Foundation	342,000	10%	Sub-Saharan Africa in collaboration with Baring Foundation; Southern and Eastern Africa proactively	Health and disability for proactive grants; migration and displacement in collaboration with Baring Foundation
17	St Francis's Leprosy Guild	331,710	100%	Developing countries	Leprosy, water provision, fellowships, medical
18	Andrews Charitable Trust	331,250	88%	Developing countries	Venture philanthropy
19	Headley Trust (a Sainsbury Family Charitable Trust)	324,850	16%	Sub-Saharan Africa and Central and Eastern Europe, the Baltic States and the former Soviet Union	Water/sanitation, environment, education and literacy, healthcare, community and voluntary sector development
20	Clothworkers' Foundation	300,000	10%	Developing countries	None
21	The Rowan Charitable Trust	290,000	67%	Developing countries	None
22	The Ajahma Charitable Trust	269,600	83%	Africa, Asia	Health and social welfare
23	Dulverton Trust	266,500	10%	East and South Africa	Education
24	The Joffe Charitable Trust	260,500	68%	Developing countries	Relief of poverty and human rights work
25	Staples Trust (a Sainsbury Family Charitable Trust)	248,000	24%	Developing countries	Rights, housing, income generation and sustainable agriculture

<sup>13</sup>Based on latest available annual accounts/budgets (usually 2004 or 2005), NPC interviews, and NPC best estimate where exact figures not available.

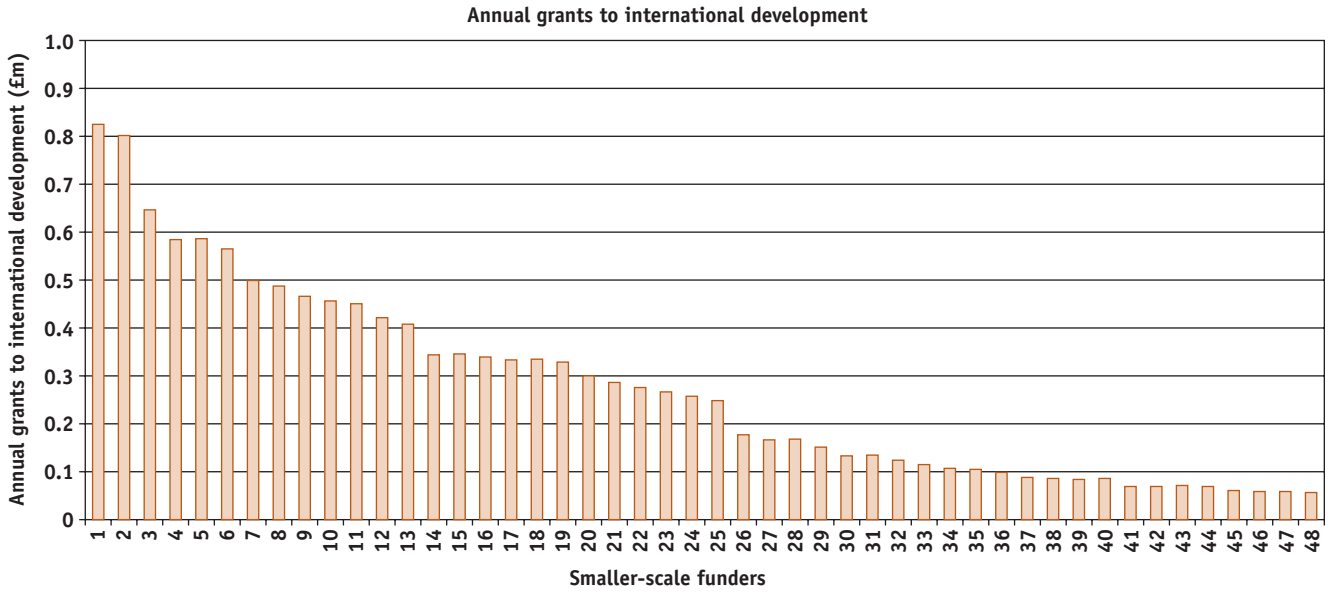
Table 2: continued

	Name	Intl dev grants £	% of total grants	Focus – Geography	Focus – Theme
26	Reed Charity	181,000	29%	Ethiopia	Community projects
27	The Miriam K Dean Refugee Trust Fund	165,938	100%	Kenya, India	International development, refugees
28	Trusthouse Charitable Foundation	164,250	8%	Developing countries	Health care, health education and community projects
29	William A Cadbury Charitable Trust	145,100	34%	Developing countries	None
30	The Charles Hayward Foundation	130,500	8%	India, Pakistan and the Commonwealth countries of Africa	Sanitation, health education, disability, youth at risk, farming skills, income generation
31	The Coltstaple Trust	130,000	72%	Developing countries	Relief of poverty
32	Hilden Charitable Fund	124,500	27%	Developing countries - Ghana, Ethiopia, Tanzania, South Africa and Bangladesh are particularly favoured	Community development, education and health
33	Saga Charitable Trust	119,244	100%	Far East, Indian sub-continent, South Africa and South America	Community projects
34	David Forrester Trust	110,000	12%	Developing countries	None
35	The Ashden Trust (a Sainsbury Family Charitable Trust)	101,000	15%	Africa, India	Environment and sustainability
36	The Audrey and Stanley Burton Charitable Trust	96,000	28%	Developing countries	Developing nations, welfare, Jewish charities, arts, health
37	J J Charitable Trust (a Sainsbury Family Charitable Trust)	88,500	14%	Africa	Sustainable agriculture
38	The Bromley Trust	87,000	27%	Atlantic rainforest and international	Human rights internationally
39	The British Council for Prevention of Blindness	85,000	64%	Tanzania, Mongolia, developing countries	Prevention of blindness
40	The David and Elaine Potter Charitable Foundation	83,459	4%	South Africa, India and other developing nations	Education
41	The William Leech Charity	74,000	24%	Developing countries	None
42	Zurich Community Trust	70,000	2%	India	Capacity-building
43	Help the Hospices	70,000	2%	Developing countries	Education for professionals, palliative care, carers
44	Onaway Trust	69,271	55%	Cuba, India, Democratic Republic of Congo, Native America	Relief of poverty among indigenous peoples
45	Alchemy Foundation	67,000	68%	Developing world	None
46	Butterfield's Edward Johnson Trust	67,000	100%	India	Welfare
47	The H B Allen Charitable Trust	60,000	12%	Developing countries	None
48	R H Southern Trust	55,500	25%	India and developing nations	Poverty, disability, environment and education

*Foundations of all sizes contribute to funding international development. The funders in the study commit anywhere between 5% and 100% of their total funds to international development.*

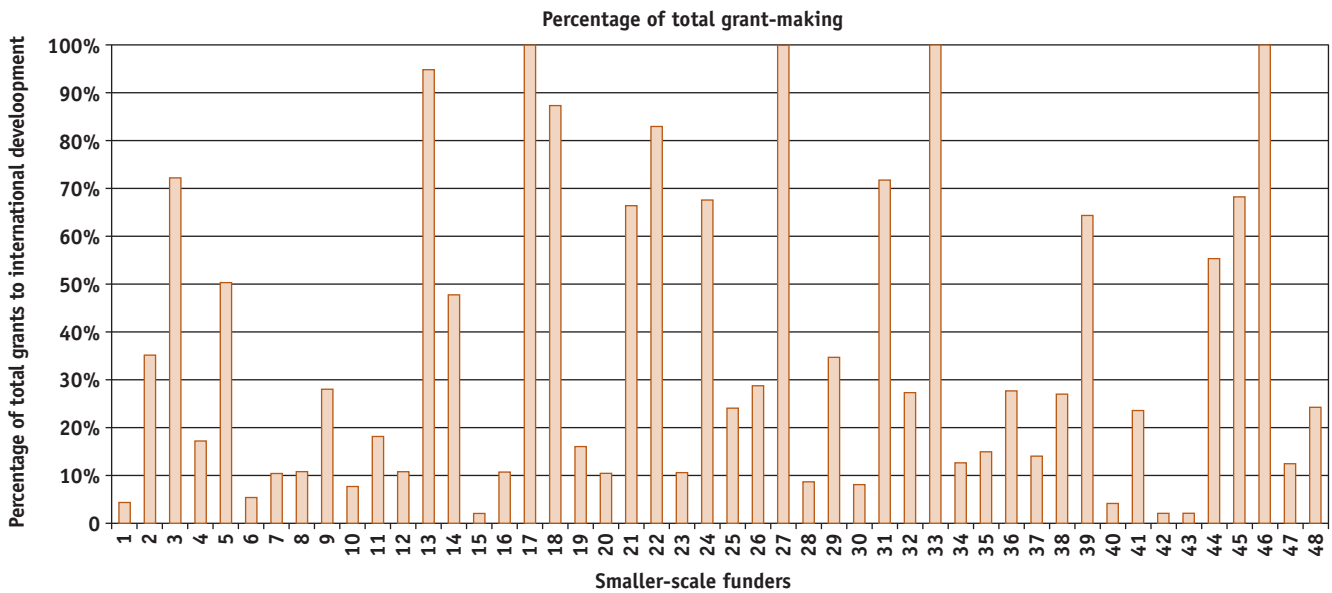
Figure 4 shows the amounts that smaller-scale funders gave for international development work, which range from £50,000 to just over £800,000 (the foundation corresponding to each number can be found in Table 2).

**Figure 4: Amount given to international development by smaller-scale funders (2005)<sup>14</sup>**



In comparison, Figure 5 plots the foundations in the same order, this time showing the proportion of funding that goes to international development.

**Figure 5: Proportion of foundation’s total funding that goes to international development<sup>15</sup>**



<sup>14</sup>Based on NPC analysis of smaller-scale funders.

<sup>15</sup>Based on NPC analysis of smaller-scale funders.



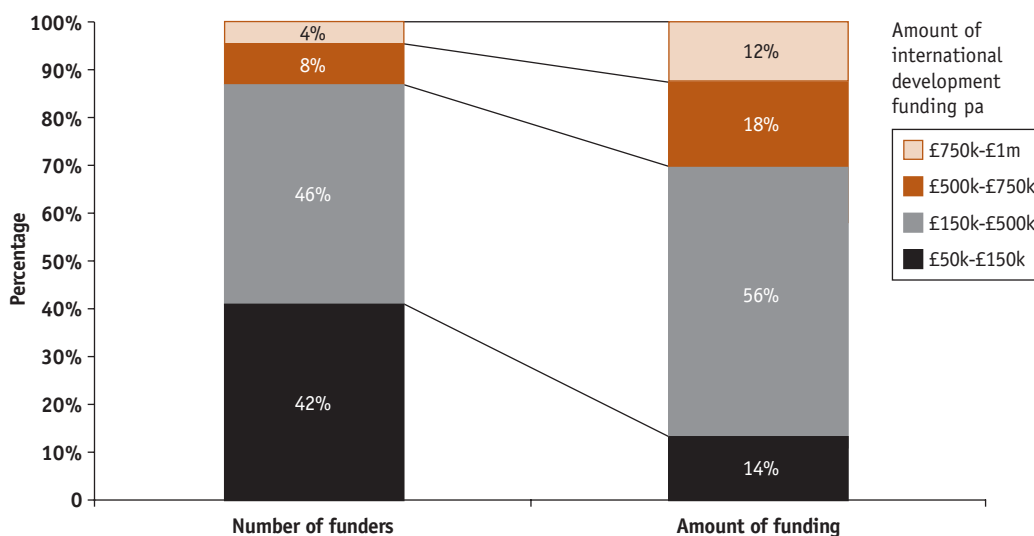
These graphs show that there is no correlation between the amount of funding that foundations give to international development, and the proportion of their total funding that this represents. Smaller-scale funders commit anywhere between 5% and 100% of their total funds to international development.

Perhaps unsurprisingly, funding from smaller-scale funders is concentrated, with a few

foundations giving a large proportion of the total £13.2m. Figure 6 shows that:

- 12% of the funders that give between £500,000 and £1m per annum made up 30% of the total funding;
- 42% of the funders that give between £50,000 and £150,000 per annum made up 14% of the total funding.

**Figure 6: Concentration of international development funding amongst smaller-scale funders<sup>16</sup>**



### 3.2 What do foundations fund?

We analysed the level of focus that smaller-scale funders apply to their international development funding.

There are three dimensions of focus for a funder (which also apply to domestic funding):

- **geography:** where the work is taking place. This may be a small area (eg, Tamil Nadu), or a large one (eg, sub-Saharan Africa);
- **theme:** the issue that the work is tackling. Again this can be broad (eg, health), or relatively narrow (eg, the rights of disabled people);
- **activity:** the activities that the funded organisations undertake. These might be delivering services for individuals or families (eg, providing healthcare), or advocacy work aiming to drive a wider policy or societal change (eg, lobbying the World Bank, raising awareness of debt repayments).

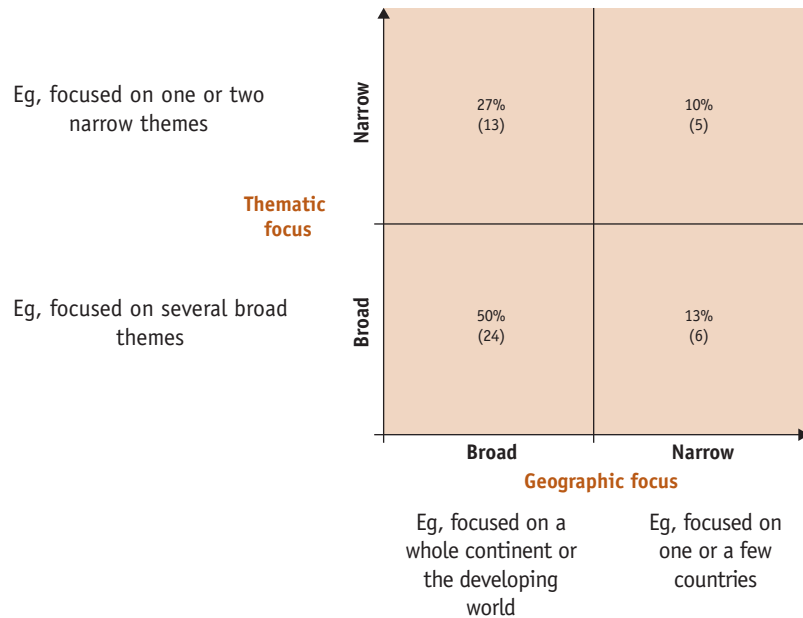
Some funders define their focus by all of these dimensions (eg, providing education to under fives in Uganda), whilst others define it by only one or two (eg, funding in Latin America).

We analysed the activity of funders by geography and theme—assessing in each case whether funders had a broad or narrow focus.

*Most of the foundations in the study are generalists. Very few focus narrowly, either by geography or theme, in their support of international work.*

<sup>16</sup>Based on NPC analysis of smaller-scale funders.

Figure 7: Analysis of focus of smaller-scale funders<sup>17</sup>



*The reasons why the foundations in the study fund international work vary. Some do so in response to their founders' wishes. All are conscious that money goes a lot further in developing countries than in the UK, so that relatively small sums have the potential to make a real difference to people's lives.*

Figure 7 shows that most of the foundations are generalists, with very few choosing a tight geographic or thematic focus. Nearly half will consider supporting work anywhere in developing countries, and only a few restrict the thematic area to something like agriculture – although health and education are the most popular themes.

Our interviews identified a number of reasons why funders tend not to have a tight focus. For some, this was because they did not want to exclude areas, whereas for others it was because they encountered difficulties, such as they did not have the information they needed to enable them to choose a focus, or they could not agree on a priority area.

For current funders that do have a focus, we found that this usually reflects the funder's history. This is particularly the case for geographical focus. For example, the location of corporate activity was initially important in defining geography for the Baring Foundation, as was the founder's interest in defining the geographical focus for Paul Hamlyn Foundation.

Thematic focus is usually influenced by the funder's overall mission, which in itself reflects the funder's history. For example, the Lloyds TSB

Foundation for England and Wales' focus on disability in 2004 and 2005 reflected its domestic interests.

In many cases, thematic focus has evolved to reflect changing circumstances. For example, the Nuffield Foundation's focus for its international funding originally reflected its UK interests closely, but this focus was widened to make it more appropriate to the countries in which it funds. In other cases, where international funding has been initiated more recently, the focus reflects trustee interest, such as the Tudor Trust's focus on sustainable agriculture.

### 3.3 Reasons why foundations fund internationally

Why do these foundations fund international development? Amongst the foundations we spoke to, in at least two-thirds of cases, history was a strong influence. 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, although in all cases this decision considered the founder's wishes and the overall objectives of the foundation. 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. These reasons are probably inter-related.

In many cases both factors were at play. Foundations had some kind of historical link to another country, and an awareness of the need retained their interest in 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 peoples' lives, especially because money goes further in developing countries, and a growing awareness of interconnectedness and global citizenship. Box 2 presents some examples of the reasons why foundations fund internationally.

<sup>17</sup>NPC analysis

The role of the founder or settlor in determining whether foundations fund internationally may go some way towards explaining the small number of foundations that do so. For foundations set up before international development was a high profile need, it is understandable that it would not have been an area of interest for the settlor. This idea is supported by the observation that all the foundations funding internationally on a large scale, as well as a number of those funding on a smaller scale, are relatively new (eg, Elton John AIDS Foundation, ARK, The Diana, Princess of Wales Memorial Fund).

This may well reflect the increased awareness of international development issues amongst people setting up foundations in the recent past. Perhaps the overall low proportion of international development funding amongst foundations simply reflects the dominant issues at the time when they were set up, and the fact that funding priorities have not been revised to reflect the growing importance of international development.

### 3.4 What prevents foundations funding internationally?

From our interviews with current funders of international development, non-funders of international development and experts working in the area, we heard a range of reasons why foundations do not fund internationally.

In many cases, foundations had simply not considered funding internationally, mainly because it is not an area they traditionally fund. Conversely, the majority of foundations that do fund internationally do so for historical reasons – because they always have.

We found cases where foundations had considered the possibility, but were overwhelmed by the size of the issue, and questioned their ability to make a difference. Lack of enthusiasm from trustees was also a common problem—often because trustees thought that the foundation should focus on the UK rather than internationally.

In other cases, the practicalities of funding internationally discouraged foundations. A common concern was that international funding is too risky: that it is hard to ensure money does not go astray and to identify the impact that it has. Other issues were that foundations did not know how to go about funding internationally, how to choose what to fund in such a large and complex area, or that they did not have the necessary resources and expertise.

*Most of the foundations that fund on a large scale are relatively newly formed - this may reflect an increased awareness of development issues in recent years.*

#### Box 2: Why foundations fund international development

Our interviews highlighted many reasons why foundations give funds to international development.

**The Nuffield Foundation's** support for capacity-building in Commonwealth countries stems from activities initiated during Lord Nuffield's lifetime to build capacity in higher education in what was then the Empire. Now the Nuffield Foundation supplements funding from another trust that it administers - the Commonwealth Relations Trust – whose deed stipulates that funding must be used to support links with Commonwealth countries.

**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.

**The John Ellerman Foundation's** international funding in Africa reflects the late Sir John Ellerman's personal interests, and also links historically with the Ellerman Shipping lines, from which most of the foundation's wealth derives.

The former administrator at **the Charles Hayward Foundation** felt that international funding was important because of the magnitude of the need. He also felt that the foundation could really achieve impact for what, in the UK, was a relatively small sum. As Charles Hayward had run offices overseas as part of his international business, funding internationally reflected 'giving something back', and the trustees thought it would be in accordance with his wishes.

The **Tudor Trust** funds sustainable agriculture initiatives in sub-Saharan Africa because this is increasingly an area of knowledge and interest of the trustees.

# Methods of funding international development

# 4

*Funding international development does pose challenges, but the foundations in this study have found ways of overcoming them*

This section focuses on the methods used by smaller-scale funders of international development. In comparison to larger-scale funders, smaller-scale funders face particular challenges because of their limited resources. By sharing examples, this section aims to provide information and ideas on methods that will be useful to other funders of international development.

We have described methods of funding internationally using three components. These will be familiar, as they also apply to domestic funding. The parallel with funding domestically is interesting because, in many cases, foundations have adapted their standard funding approach for their international programme. This is particularly the case for those funding UK-based INGOs, where it is possible to use a funding approach very similar to that used for domestic funding.

This section looks at the three components in turn, explaining them and illustrating them using information from our research about the methods used by current funders of international development. We were not looking for evidence of the effectiveness of different funding methods for delivering benefit to beneficiaries, and therefore this section describes the methods and the characteristics of them from the point of view of a funder.

**Funding route**

This describes the route that funds take between the funder and the final recipient of the funds. For instance, they can flow directly, via a UK-based INGO, or via another grant-maker.

**Grant-making processes**

This describes the processes that a funder uses to make grants. For instance, how it selects charities and how it monitors them.

**Alone or with others?**

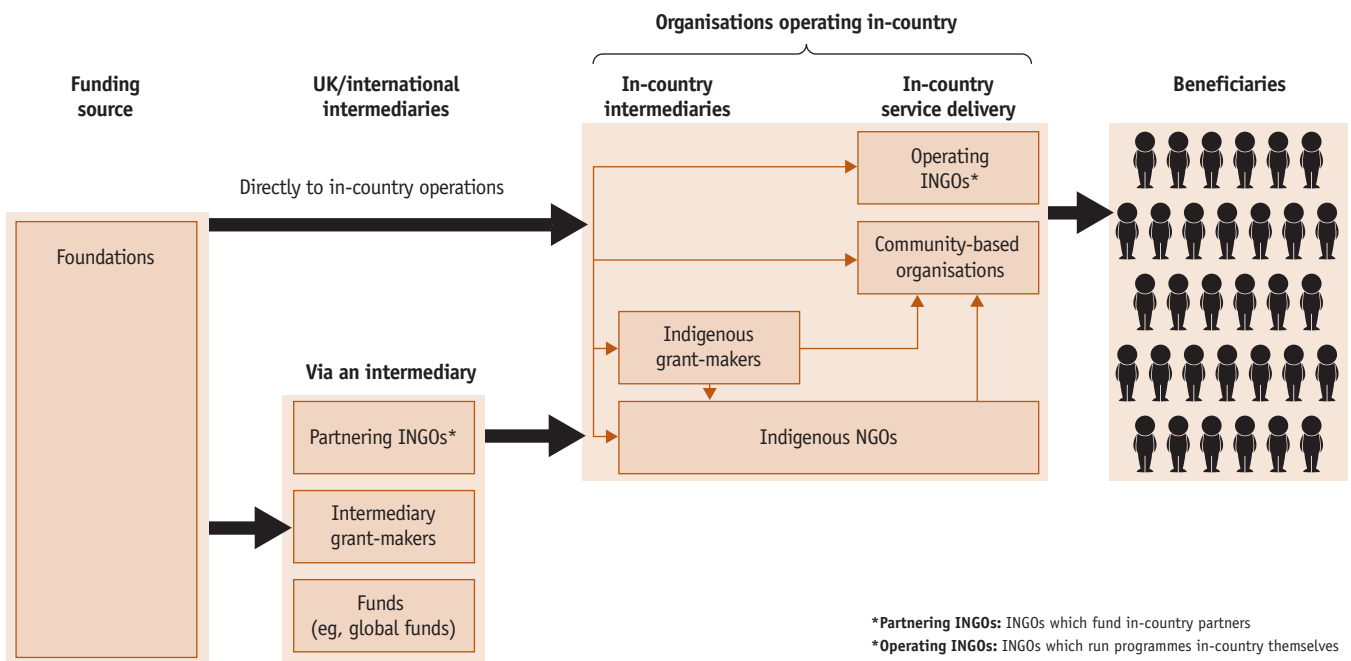
This describes whether funders choose to operate alone, or use another approach, such as collaboration or outsourcing parts of the process.

**4.1 Funding route**

**Background**

Foundations rarely fund beneficiaries (ie, individuals) directly. In almost all cases, funding will go to an organisation delivering benefit to individuals in the developing country (such as education, shelter, access to water etc). Funds reach these ‘in-country service delivery organisations’ via a number of routes, shown in Figure 8.

**Figure 8: Funding routes from UK foundations to destination organisations**



The simplest route is where funds flow directly from the funder to an organisation in the destination country that delivers services (what we have called an ‘in-country service delivery organisation’). This could be an indigenous NGO or a community-based organisation. For instance, if the funds are going to reduce poverty in Sudan, they could go directly to a Sudanese NGO. The challenge for UK foundations using this route is identifying a good, trusted Sudanese NGO. Alternatively, the funds could go to a UK INGO that works in Sudan (we have called this an operating INGO). These are often easier for UK foundations to find and assess.

However, often UK-based INGOs do not actually operate in-country themselves: in this example they would instead support Sudanese NGOs to do the work. Here, the UK-based INGO is operating as an intermediary—using its knowledge about Sudan and poverty reduction to support appropriate in-country NGOs or community-based organisations. We have

called this a partnering INGO. Oxfam and Save the Children are examples of these types of organisation. Of course, the distinction between operating and partnering INGOs can be blurred. Some UK-based INGOs may operate themselves and fund in-country organisations at the same time.

The important characteristic of intermediaries is that they use their expertise to select organisations to receive funding. The funder therefore benefits from the intermediary’s expertise in placing the funds, but also loses control over the decision about the final destination of the funding.

It is not only partnering INGOs that act as intermediaries. Other grant-makers can act as intermediaries too (see Box 3), as can ‘Funds’, where money is pooled and then distributed to a particular cause. Intermediaries can also be in-country: either indigenous grant-makers (eg, the Kenyan Community Development Foundation) or large indigenous NGOs.

### Box 3: Examples of intermediary grant-makers

#### Comic Relief and Tubney Charitable Trust

As a result of a strategic review in 2003, the Tubney Charitable Trust decided to focus its grant-making, and therefore close its education programme. However, because the settlor had worked and travelled extensively in Africa, the trustees wanted to make a one-off grant of £1m for a strategic education project in Africa. In 2005/2006 the trustees asked Comic Relief UK, an experienced grant-maker in this area, to disburse this grant for them. The two organisations agreed that Tubney Charitable Trust would provide a £1m contribution, Comic Relief UK would provide at least £2m in matching funds, and that Comic Relief UK would oversee the process, with Tubney Charitable Trust participating in the assessment of proposals. This shows how a foundation can work with an existing grant-maker with complementary objectives, and use their knowledge and processes to make an effective contribution.

#### Allavida

Allavida is a UK-based organisation that aims to support local people in identifying and solving local problems. As part of its work, Allavida provides small grants (around £100-£1,000) to local groups in poor communities. Allavida accepts donations from other funders, and uses its network, knowledge and experience to make effective grants in line with its objectives, therefore acting as an intermediary grant-maker.

### Tudor Trust: Helping farmers in Zimbabwe

The Tudor Trust gave a grant of £80,000 over three years to Nyahode Union Technical College (NUTC), which is situated in the eastern highlands of Zimbabwe. It has been a centre for farmer learning, and farmer-to-farmer teaching since the mid-1980s.

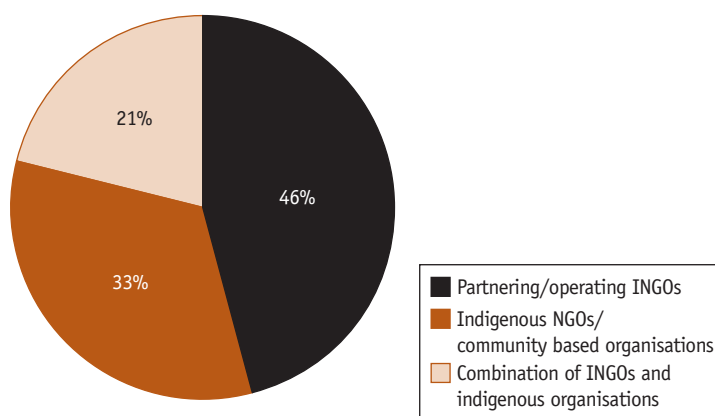
Funding groups in Zimbabwe continues to be a challenge because of the ongoing political and economic strife, but groups such as NUTC play an increasingly vital role in teaching land-based skills to farmers who are relying more and more on sustainable agriculture to feed their families. NUTC is particularly well placed to teach farmers about watershed management and the advantage of surface water management in an area where water is a precious resource, since they designed and built their centre 20 years ago.

Of course, there are ways to fund international development where funds do not ultimately flow to an in-country service delivery organisation. For instance, funding a UK-based advocacy organisation concerned with international development issues (eg, War on Want) or funding an umbrella or networking organisation providing support to other organisations working in international development (eg, World Development Movement).

**Choice of route**

Our analysis of routes used by smaller-scale funders shows that, while the majority fund INGOs of some kind, a significant percentage fund indigenous NGOs or community-based organisations (Figure 9). This analysis was based on the often limited information available on websites and Charity Commission submissions, so should be viewed as indicative. The percentage that fund indigenous organisations is surprisingly high, and may reflect a number of family foundations that fund indigenous organisations known to them personally.

**Figure 9: Funding routes used by smaller-scale funders (% of total number of funders)<sup>18</sup>**



**Box 4: Why do foundations fund in-country NGOs?**

**The Tudor Trust** gives directly to sustainable agriculture initiatives in sub-Saharan Africa. The trust believes that it is important to build the capacity of African organisations in addition to funding their projects, and that funding them directly allows them to do this. It believes that funding in-country organisations is harder work, and has higher administration costs than funding UK-based charities, but that developing relationships with the organisations means it is more in touch, and can understand and respond to their work and the associated problems better, allowing them to fund more effectively.

**The Joseph Rowntree Charitable Trust (JRCT)** has been funding South African organisations since the 1960s. It funds in-country NGOs because it believes that direct engagement with funded organisations is important. In the trust’s experience, funding via INGOs can have adverse effects, for instance, if the INGO does not understand the context or situation well, and JRCT believes that in-country NGOs are more likely to identify and respond to what is really needed.

**Paul Hamlyn Foundation** funds Indian community-based organisations directly. This reflects its belief in engaging directly with organisations on the ground, and supporting organisations that are driven and supported by the local community and beneficiaries. It believes organisations should be ‘of the community’, not solely based in a community and imposing external agendas.

<sup>18</sup>Based on NPC analysis of smaller-scale funders.

Our interviews with funders highlighted a range of factors that influence the choice of funding route:

- **ideology:** many funders believe the value added by particular routes is important, for instance:
  - funding UK INGOs working in partnership with indigenous NGOs is valuable, because they can share knowledge and experience between similar projects and situations in multiple countries;
  - funding in-country NGOs adds value because they reflect and meet the needs of local people better than an INGO;
  - funding an in-country grant-maker is important, because it builds capacity, skills and infrastructure in grant-making in the country.
- **perception of risk:** some funders decided to fund UK-based INGOs, as they feel that they are more accountable and therefore carry less risk of corruption and misappropriation of funds.

- **knowledge:** some funders felt they did not have the necessary knowledge to fund effectively, nor the resources to build this knowledge, and so used intermediaries who did.
- **history:** we found no funders who had significantly changed the funding route they used, suggesting that history strongly influences the current approach.

Using indigenous grant-makers is a relatively rare choice for UK foundations. This reticence appears to be due partly to a lack of knowledge about the option, and partly to concerns about ceding control, particularly into another country, and the associated risks.

Boxes 4 to 6 give some examples of current funders, and why they chose the route that they use.

Table 3 and Table 4 present arguments for and against each of the routes.

*The foundations in the study are aware of the potential risks of funding internationally but have found ways of handling them – for example by working through UK intermediaries.*

### Box 5: Why do foundations fund INGOs?

**The Baring Foundation** funds UK-registered charities working with partners, in collaboration with the John Ellerman Foundation. It believes that this avoids the difficulties and risks associated with finding and judging in-country organisations, which are operating in a situation unknown to the foundation. Effectively, INGOs are ‘hired’ to do this, and to find organisations that will deliver results. As there are plenty of UK organisations doing the work that the Baring Foundation wishes to fund, it does not see any reason to open applications to in-country organisations.

**The Charles Hayward Foundation** funds UK-registered charities because it does not have the resources and knowledge to assess and monitor charities overseas, and trustees do not want to fund organisations that they cannot be sure are accountable. The trustees know and understand the regulatory framework within which UK charities operate, so feel that funding UK charities prevents funding from getting lost to corruption and will help practically on the ground.

**The Nuffield Foundation** funds UK-registered organisations working in partnership with African organisations. It believes that involving a UK organisation adds value to the project, because it transfers knowledge and experience to the partner. Funding UK organisations also gives the trustees confidence that the funding is going to trusted organisations and will be put to good use.

### Box 6: Why do funders use indigenous grant-makers?

**Allavida** works to promote indigenous philanthropy and grant-making. The premise of its work is that it is local people in poor communities who are best placed to identify and solve local problems, and that small, well-placed grants can stimulate development locally. Allavida believes that indigenous grant-makers can identify and support these local groups in a way that external grant-makers cannot, because they have a better understanding of the issues and the context of the issues, and can access groups that other grant-makers cannot. This includes very small, informal grassroots organisations, and groups that are outside urban areas and areas where NGOs operate, such as very rural communities. Indigenous grant-makers can therefore direct resources into the poorest communities in a way that cannot be done from the UK.

Allavida also believes that it should be people in the country who determine what the change should be. Developing local philanthropy and grant-makers means that there is funding available to support these initiatives.

**Gatsby Charitable Foundation** decided to set up in-country grant-makers in Kenya, Tanzania and Uganda in the 1990s. Although Gatsby was involved in setting them up, they are now independent locally registered organisations, with local trustees and staff. Gatsby continues to fund them, but they also raise funds from other international and local sources.

Gatsby believes that the importance of this approach lies as much in the process as in the effectiveness of outcomes. It reflects a belief in the need to build institutions in countries and to empower local people, rather than purely providing financial assistance. Because of this, benefits are likely to be long term. Gatsby also thinks that projects are better developed and managed locally, with local buy-in, than being developed in the UK and managed by foreigners.

Gatsby admits there are challenges to this approach. Corruption can be an issue, and it is important to choose the people or organisations involved carefully, which is best done using local knowledge and contacts. Also, trustees in the UK have to agree to cede control and trust the other organisation, and they do not get to see the impact closely.

**Table 3: Analysis of routes for funding: Funds flowing directly to an operating organisation**

Route	Reasons why smaller-scale funders choose this route	Reasons why smaller-scale funders do not choose this route
To a UK-based operating INGO (operating in-country)	<ul style="list-style-type: none"> <li>• A requirement to give to a UK-registered organisation</li> <li>• Desire to support the UK INGO sector</li> <li>• Perceived as less risky to use a UK-based organisation—easier to determine that the organisation is credible, and to hold somebody to account if necessary</li> <li>• INGO may add value that an in-country organisation cannot (eg, between-country learning, capacity building)</li> <li>• INGO may have access to, and influence over, major powers, so can undertake effective advocacy</li> </ul>	<ul style="list-style-type: none"> <li>• Costs of an NGO maintaining UK operations, and the value added by them, can be queried</li> <li>• Effectiveness and legitimacy of foreign INGOs operating in-country is sometimes questioned, both by people in the UK and in-country</li> </ul>
To an in-country NGO or community-based organisation	<ul style="list-style-type: none"> <li>• Funding goes directly to in-country organisations, minimising the amount spent on administration</li> <li>• Can be perceived as more legitimate to fund in-country organisations that determine their own agenda</li> </ul>	<ul style="list-style-type: none"> <li>• Can be difficult to find in-country organisations from the UK</li> <li>• Fears of corruption</li> <li>• Difficult to determine the credentials of the NGO/community-based organisation</li> <li>• Limited ability to visit for assessment and evaluation</li> <li>• If there is not an existing and suitable structure in-country, eg, lack of functioning civil society</li> </ul>



**Table 4: Analysis of routes for funding: Funds flowing via an intermediary to an operating organisation**

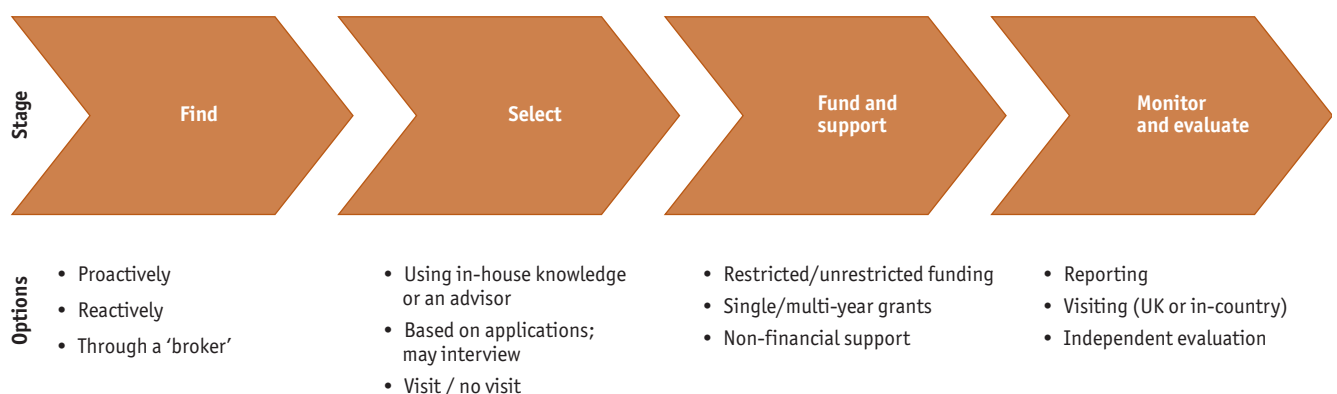
Route	Reasons why smaller-scale funders choose this route	Reasons why smaller-scale funders do not choose this route
Via a UK-based partnering INGO (re-granting to in-country partner organisations)	<ul style="list-style-type: none"> <li>• A requirement to give to a UK-registered organisation</li> <li>• Desire to support the UK INGO sector</li> <li>• Funding goes to a trusted source with a strategy for using it, allaying fears about accountability</li> <li>• Many options for location and theme of funding</li> <li>• INGO may add value that an in-country organisation cannot (eg, between country learning, capacity building)</li> <li>• INGO may have access to, and influence over, major powers, so can undertake effective advocacy</li> </ul>	<ul style="list-style-type: none"> <li>• Trustees feel disconnected from the project delivery</li> <li>• Costs of an INGO maintaining UK operations, and the value added by them, can be queried</li> <li>• Concern that such organisations use in-country NGOs as conduits for funding, and do not build their capacity</li> <li>• Perception that the work would be funded anyway, regardless of the funder's decision</li> </ul>
Via a UK-based intermediary grant-maker	<ul style="list-style-type: none"> <li>• Minimises investment required to build infrastructure and knowledge needed to make international grants</li> <li>• Utilises the knowledge and expertise of an existing grant-maker, therefore is more effective</li> </ul>	<ul style="list-style-type: none"> <li>• Requires ceding some or all control over decision-making</li> <li>• Can be difficult to find a grant-maker with complementary focus and ethos</li> <li>• Want to be directly involved with the grant-making</li> <li>• Need/want the impact to be directly attributable to their funding</li> </ul>
Via an in-country grant-maker	<ul style="list-style-type: none"> <li>• To invest in building institutions and capacity within an area, as well as responding to a particular issue financially</li> <li>• Responsive to local needs and situations</li> <li>• May increase effectiveness of grant distribution</li> <li>• Can lower risk and transaction costs and increase impact</li> </ul>	<ul style="list-style-type: none"> <li>• Can be a challenge to identify a suitable in-country grant-maker</li> <li>• Lose control of decision-making regarding who grants are made to</li> <li>• Means the funder does not have an in-country presence</li> </ul>
Via funds	<ul style="list-style-type: none"> <li>• Minimises investment required to build infrastructure and knowledge needed to make international grants</li> <li>• May benefit from economies of scale</li> <li>• Straightforward for the funder</li> </ul>	<ul style="list-style-type: none"> <li>• The funder may not be able to identify precisely what their funding has achieved</li> <li>• Trustees feel disconnected from the project delivery</li> </ul>

## 4.2 Grant-making processes

### Background

We have split grant-making processes into four stages: the way that funders find charities to consider, select charities to support, fund and support them, and monitor and evaluate their progress and spending. These four stages, and example options for each stage, are shown in Figure 10.

**Figure 10: Stages of the grant-making process**



## The Baring Foundation: Working with Displaced Forest Peoples

Many of the original hunter-gatherer peoples of the Central African region have no land to call their own and lack the most basic civil rights. They are frequently forced to leave their homes by conflict, commercial logging and forced eviction from environmentally protected areas.

The overall aim of the Rainforest Foundation project—which was funded by the Baring Foundation from 2003–2006—was to make sure that the land rights of forest people in Central Africa (often referred to as ‘pygmies’) were recognised and respected to prevent them suffering as the victims of commercial logging and forced eviction, and that they had access to the training and resources to manage the forests sustainably in their own long-term interests.

This £185,000 project worked with three national NGOs and over 20 local NGOs, community-based organisations and other indigenous groups in three countries, targeting several thousand pygmy people.

An evaluation of the project in 2006 showed it had raised awareness of pygmy peoples’ rights among national and local governments, international donors, private sector logging companies and other NGOs. More significantly for the long term, local organisations secured a place at the negotiating table to debate policies and development plans affecting pygmy people and forest lands. In the Republic of Congo, a law to protect the rights of indigenous people was being developed—the first legislation of its kind in the region.

The project also raised pygmies’ knowledge of legal codes, administrative procedures and rights. At an international level, the Rainforest Foundation played a key role in bringing pressure to bear on international donors, particularly the World Bank, which was forced to review its forestry programme in the Democratic Republic of Congo.

*The methods foundations use for funding international development vary. In many cases the foundations in the study are able to use their standard grant processes with appropriate modifications.*

Grant-making processes for funding international development can be adapted from a funder’s standard processes, and in many cases the processes used by a foundation for funding internationally are very similar to those it uses domestically. This particularly applies where a foundation is funding UK-based INGOs.

### Choice of grant-making process

The grant-making processes that a funder uses are influenced by:

- **The route the funder uses:** in our interviews, we noticed that certain routes were commonly, but not universally, associated with particular grant-making processes. For instance, funders supporting indigenous organisations tend to find and select charities proactively using recommendations and visits, whilst INGOs are more commonly found reactively using applications. Indigenous organisations tend to receive smaller grants, whilst large grants (>£100,000) go to INGOs. (Of course, this is not to say that INGOs only receive large grants.)

- **What the funder wants to achieve:** funders that have a specific aim, such as transferring knowledge or empowering local people, use different grant-making processes from those that simply want to support international development work.
- **The resources of the funder:** the resources available to a funder may influence its choice of process. For instance, sourcing charities proactively requires greater investment in knowledge and networks, and visiting charities clearly requires time and money.

Of course, a benefit of using an intermediary, or an approach such as collaboration or outsourcing (see Section 4.3) is that it removes or reduces the funder’s need to undertake the grant-making processes itself. This can be a useful tactic for funders without the resources to develop the necessary processes.

Table 5 shows options for various stages of the grant-making process, and the findings from our interviews on the suitability of these in different circumstances. Box 7 and Box 8 provide an example of the processes used by two funders: the Nuffield Foundation, which funds UK-based organisations working in partnership with African organisations, and Paul Hamlyn Foundation, which funds Indian community-based organisations.

Table 5: Options for stages of the grant-making process

	Options	When used
Find	Reactive to applications	Mostly used by those funding INGOs, but also used to receive applications from in-country organisations.
	Proactive, using networks/contacts	Tends to be used where the foundation is funding in-country organisations, has a limited amount of funds to give, which means that it is not worth running a full application process, or has a narrow focus area and finds it more efficient to identify suitable organisations itself.
Select	Using a panel of experts or an advisor	Used by a number of funders, as a way getting expert input to a programme without having it in-house. In some cases, experts are paid; in others they provide time voluntarily.
	Interview	Used where logistically possible—either for INGOs, or where a funder is funding in-country organisations and has an advisor in-country. Useful where partnerships between NGOs need to be assessed. Funders providing large grants to INGOs working in partnership may cover the costs of someone coming over from the in-country organisation for the final round of selection.
	Visiting charity	Funders funding in-country organisations and with an in-country advisor tend to get them to visit. UK-based trustees or staff from these funders will also often visit. For funders funding INGOs, in-country visits are one-offs, rather than systematic. Generalist international funders do not tend to visit.
	Select based on trustee preferences	Used where a funder has broad areas of interest and no defined guidelines for choice.
Fund and support	Long-term/short-term grants	Funders with a defined focus and experience of international funding appear to be moving towards longer grants (3–5 years), in recognition of the fact that results take time to achieve. Funders with broad areas of interest, or in the process of defining a focus, tend to give short-term grants.
	Small/large grants	Small grants tend to be for indigenous organisations, or from funders with a broad focus. Funders with a clear focus funding UK INGOs provide larger grants.
	Provide support	Focused funders are actively engaged with charities, and often invest in their support and development. There are a number of examples of funders promoting learning between charities, eg, by organising events.
Monitor	Financial and progress report	The most common method for evaluating grants. Shows use of financial resources, and what they helped the charity achieve. Usually a short document that charities are asked to complete.
	Independent evaluation	Used where larger, long-term grants are given. Often to provide learning for the grantee, as well as the funder.
	Visiting charity	Rarely used except for particularly large/long-term grants.

### Box 7: Funding UK-based organisations – the Nuffield Foundation

The Nuffield Foundation funds UK-based organisations (NGOs or universities) working in partnership with African-based organisations. It aims to develop the expertise and experience of practitioners and policy-makers in the areas of health, education and civil justice, in Commonwealth countries in Southern and Eastern Africa.

The Commonwealth Programme has a funding round every other year, when it gives £1m in four grants of up to £250,000, usually over five years. The Nuffield Foundation decided that, because of the work required to run a funding round and the small number of grants given, it was more efficient to give four grants biennially rather than two grants per year. The programme is run from the London office, and is overseen by a trustee, who sits on the International Committee along with a number of experts.

The process starts with applicants providing a short outline proposal, with information about the charity and partner, the project outline, and experience. The Nuffield Foundation receives about 60 of these. After an initial eligibility assessment, the remaining 40 to 50 applications each go to two committee members, who grade them, looking mainly at viability and partnership arrangements. These must be true partnerships, with well-established links, joint development of the proposal, and clear use of the UK organisation's expertise or experience in the project. Nuffield Foundation's Director, International Committee trustee and Programme Coordinator review the grading, and select around 15 to go forward.

The organisations are then asked to submit a full proposal (10-12 pages plus appendices), providing more detail, and responding to questions raised by the committee. Each proposal is sent to at least three independent referees, who are given the guidelines and asked to provide feedback. These are experts in the relevant geographical area and topic, and are identified by the Programme Coordinator. The Director and International Committee trustee shortlist seven proposals using these references.

Those organisations on the shortlist are invited for an interview with the International Committee. This involves the lead UK applicant, and, where possible, someone from the partner organisation. The Nuffield Foundation covers the expenses for this. Based on the interview, the committee selects four organisations to fund, for approval by the trustees.

The Commonwealth Programme is more thoroughly evaluated than the foundation's other programmes because the grants are so large, and because the trustees want more assurance because the projects are overseas. The Programme Coordinator agrees with successful charities what they will achieve and how it will be measured, and sets a date for a mid-term evaluation. Six months before the mid-term evaluation, there is a meeting to decide how the evaluation should be done. This decision takes the organisation's circumstances into account. In some cases it has used an external evaluator, and in others it has been a presentation of a report. The mid-stage evaluation is a condition of the second stage of funding, but it also aims to help partners to evaluate their work better. The Nuffield Foundation also requests an annual narrative report and a six-monthly financial report. There is no major post-grant evaluation.

### Box 8: Funding indigenous community-based organisations – Paul Hamlyn Foundation

Through its India programme, Paul Hamlyn Foundation directly funds Indian community-based organisations. Its focus is on enabling people to access basic services, primarily education and health. The budget for the India programme in 2006/2007 is £550,000.

Paul Hamlyn Foundation has a consultant based in India who manages the grant-making process. The consultant sources applications and does the first stage of assessment. Most applications are sourced through networks and contacts, though organisations are free to submit an enquiry. Organisations must first submit a concept note, either to the consultant or via an online application process. About 200 concept notes are received each year, and organisations of interest are asked to send a full proposal. The consultant assesses these proposals, and sends those that meet the criteria to the Director for discussion. Those that are approved go to the trustees.

To assess the applications, the consultant looks at two or three years of audited financial statements, the management team, the capacity of the organisation to absorb funding, and its processes and operations. He also consults with relevant experts, and visits the majority of organisations prior to making a grant. Paul Hamlyn Foundation looks for organisations that 'know what they want to do' and will drive the agenda. This enables them to take a 'soft hands' approach to ongoing monitoring of organisations.

Paul Hamlyn Foundation typically funds 20-25 organisations at any one time. Grants range from £5,000 to £100,000 over up to three years. For many organisations, but not all, Paul Hamlyn Foundation operates what it calls a 'nursery strategy'. This means that it starts organisations off with a one-year grant of around £5,000 (which has considerable purchasing power in India), and decides whether to continue funding depending on how the organisation develops over the first year. If successful, it is likely to receive a three-year grant. At the end of the three years, the organisation is assessed by an independent evaluator (appointed by the organisation), which is for the benefit of itself as well as Paul Hamlyn Foundation. The organisation may then receive another grant of up to three years. For those organisations funded as a one-off, Paul Hamlyn Foundation requests audited financials and a narrative report. It also visits organisations to understand what has been done, what has been gained, and what will happen with the work.

Operationally, payments are made directly from the UK, and formal due diligence, such as checking authorisation reports and reporting, is also carried out in the UK. To date, a trustee or the Director has visited an organisation before a three-year relationship is started. However this is likely to change as the programme expands.

This approach enables Paul Hamlyn Foundation to find and develop close relationships with organisations working on the ground in India. However, there are some challenges associated with this. Recruiting the right person in-country is essential for success, and there is a risk associated with concentrating much of the grant-making process with one person, both of reliance on their judgement, and also of dependency if all the knowledge and contacts lie with them. Paul Hamlyn Foundation has managed this by finding its consultant through contacts and building a relationship over a number of years, and, recently, by finding two additional consultants to share the growing workload.

### 4.3 Funding alone or with others?

#### Background

Most foundations fund alone. This means that funders retain control of the whole grant-making process and all decision-making. However, the disadvantage is that funders must set up and run the grant-making processes themselves, as well as develop or access the necessary knowledge. Various forms of collaboration are possible, but are used relatively rarely, and seem to be considered rather infrequently. Options for collaboration are described below, along with examples of funders that use them.

- **Funding collaboratively:** a funder runs its international programme in collaboration with another funder (NB, this is different from collaborating on individual grants). This approach involves joint objectives, grant-making processes and decision-making, meaning that funders take decisions together and fund the same things. See the example of the Baring Foundation and the John Ellerman Foundation in Box 9, and Charity Know How in Box 10.

#### Box 9: Collaboration – The Baring Foundation and the John Ellerman Foundation

The Baring Foundation and the John Ellerman Foundation collaborate on their international programme. This funds UK-registered charities working with partners to build capacity of in-country NGOs to deal with issues arising from long-term migration and displacement in sub-Saharan Africa.

The programme has been run jointly for three years. The collaboration was initiated by a contact between trustees of the two foundations, and resulted in the John Ellerman Foundation (previously a generalist funder of international development in Africa) joining the existing Baring Foundation programme, with its focus on refugees and displaced peoples. The foundations agreed that the John Ellerman Foundation would contribute funding to the programme and that decisions would be taken jointly. The John Ellerman Foundation currently contributes £225,000 pa, and the Baring Foundation £525,000 pa.

A Memorandum of Understanding governs this collaboration. The grant-making processes are led by the Baring Foundation, which assesses applications, manages grants and does most of the monitoring and evaluation. Decisions are taken by a joint committee, which includes two John Ellerman Foundation trustees, three Baring Foundation trustees (including the Chairman), and the two Directors. The committee comes to a joint decision on grants. The foundations typically make three to four grants each year, of up to £250,000 over up to five years. Successful applicants receive their grant via two cheques, one from each foundation.

Both foundations believe that there are benefits to the collaboration. They appreciate the increased impact that is possible through having more money to put into a particular area: the spending power of each foundation is increased through the collaboration.

However, both foundations concede that collaborating involves additional work, such as agreeing the Memorandum of Understanding and working with a larger committee. Thus, the time taken per grant is probably greater. There are also inevitably different points of view, which sometimes require compromise. Both foundations recognise that, since the collaboration does not bring new money to international development, it is only worthwhile if the money is spent more effectively than it would have been otherwise. This is what both foundations hope they are achieving.

The John Ellerman Foundation believes that it benefits from the expertise of the Baring Foundation's advisors and other staff, and a more intimate selection process than it could run alone. For instance, an in-country representative is brought to the UK at the shortlist stage. As a result, it has greater confidence that the funding is being well directed and used. From the point of view of the Baring Foundation, the costs associated with administering the programme are fixed, and it believes that there are benefits of using its processes to help other foundations place funding.

Essential to the success of the collaboration is an affinity between trustees, and a strong relationship between the foundations.

### Box 10: Charity Know How – a collaboration of multiple funders

Charity Know How (CKH) was a grant-making body that combined the funds and knowledge of 14 grant-making trusts, charitable foundations and individuals, and the Department for International Development (DFID). It was established in 1991 in response to the rapid changes in Eastern Europe and the former Soviet Union. Its aim was to help revitalise civil society in Central and Eastern Europe and the Newly Independent States (NIS) through funding of skill-sharing partnership projects between NGOs. It provided a single funding stream, and decisions were made jointly. It ran until 2002, during which time it made more than 700 grants, worth around £2m.

CKH was a successful collaboration between multiple funders, the likes of which has not been recreated since. It seems there were two factors that contributed to its genesis and success.

The first was the situation. The collapse of the Berlin Wall in 1989 created sudden and rapid change across Eastern Europe. Whilst there was a clear role for funding the emergent civil society, UK funders had little knowledge or experience of the area, and therefore did not know how to respond. The collaboration enabled funders to pool knowledge and develop an informed and coordinated response. The second was that contributions from foundations were matched by DFID, which also covered the overhead costs. This provided foundations with a clear opportunity to leverage their funds.

- **Sharing infrastructure:** a funder can share another funder's infrastructure and expertise across one or more stages of the grant-making process. For example, it might find applications through another funder, but make its own selection decisions. This is a good option if there is another funder with complementary aims and good quality grant-making processes. See the example in Box 11 of the Rufford Maurice Laing Foundation using the infrastructure of the Elton John AIDS Foundation to find, fund and monitor charities.
- **Outsourcing:** this is similar to sharing infrastructure but using a service provider instead of another funder. For example, a funder could use a service provider to find charities, or provide monitoring and evaluation services. The funder does not cede decision-making power but does outsource other stages of the grant-making process. This is a good option if a funder wants to remain independent of other funders, or cannot find a suitable funder whose infrastructure it can share. See Box 12 for examples of two specialist international development service providers: Allavida and Geneva Global.

### Box 11: Sharing infrastructure – The Rufford Maurice Laing Foundation and Elton John AIDS Foundation

The Rufford Maurice Laing Foundation primarily funds nature conservation and environmental projects, mainly in developing countries. However, the trustees decided to allocate up to £250,000 per annum to fund HIV/AIDS projects in developing countries. For the last four years, they have done this in collaboration with the Elton John AIDS Foundation (EJAF).

The Rufford Maurice Laing Foundation decided to take this approach because it wanted to make the most of EJAF's expertise in the area and did not want to reinvent the wheel. EJAF is a large and experienced UK grant-maker, with a clear focus on, and expertise in, supporting HIV/AIDS projects in developing countries. The Rufford Maurice Laing Foundation benefits from its knowledge and strategic approach.

The two foundations agreed that EJAF would assist by selecting possible projects for funding. From the applications it has assessed, EJAF selects projects that fit with The Rufford Maurice Laing Foundation's priorities. From these, The Rufford Maurice Laing Foundation selects those that it wants to fund, and EJAF administers the grant and reporting process for them.

This relationship works well because, in this area, the two foundations have similar aims. The Rufford Maurice Laing Foundation trusts EJAF's grant-making processes, and EJAF does not ask for an administration fee because the funding supports what they are doing and requires little additional work, because The Rufford Maurice Laing Foundation is happy to use EJAF's existing checks and processes.

Interestingly, EJAF uses a similar approach with the Firelight Foundation to disburse small grassroots grants. EJAF's arrangement with the Firelight Foundation enables it to fulfil a strong commitment on behalf of trustees to support grassroots organisations and to help them graduate to a level where they are eligible for EJAF's larger grants.

## Box 12: Outsourcing: examples of specialist international development service providers

### Allavida

Allavida Services provides outsourcing services for funders. Allavida helps funders with feasibility studies and programme design, identification of potential applicant NGOs or other groups, and due diligence. Allavida can also find effective funding partners in developing countries for the purposes of re-granting funds. Allavida provides monitoring and grant management services for funders, and offers a range of evaluation approaches to assess the impact of their funding.

### Geneva Global

Geneva Global Inc. provides research, advice and grant management to donors investing in the world's developing nations. Geneva Global brokers grants to organisations in 100 countries in the developing world, addressing issues ranging from HIV/AIDS to slavery to clean water. Before being recommended each organisation undergoes a rigorous due diligence process, including finances, governance, and effectiveness of past programs. Geneva Global provides clients with expertise on needs and effective approaches, as well as on-going evaluation and monitoring of projects funded by clients. Clients receive a "Results Report" at the end of each project funded, that details the number and depth of lives changed and use of funds. The results are verified by a field advisor's site visit.

*Most of the foundations in the study fund alone. Collaboration is unusual and rarely considered.*

### Choice of approach

Most funders choose to fund international development on their own. Very few use other approaches: all the organisations that we identified through our research are profiled here. This may be partly because of a lack of awareness, particularly of the options to share infrastructure and to outsource processes.

However, awareness of collaboration is high, but we noticed a reluctance to use this approach. The reason frequently given was that trustees wanted to retain ownership of decisions and be able to attribute their impact clearly, and that collaboration would prevent this. It was also perceived that collaboration would reduce independence. Of course collaborations are difficult to set up, and personal relationships are often a factor in their initiation.

It seems that those funders that do use alternative approaches, such as collaboration or sharing infrastructure, do so because they believe that working with other organisations will deliver better results than they are able to alone, and they are happy to share some of the decision-making to achieve this.

Again, it is likely that history is an important factor. Most funders that choose to fund alone have always done so, and, because it works, have not considered alternative approaches. For potential new funders of international development, or current funders that are reviewing their funding, it makes sense to consider alternative approaches for four reasons:

- Firstly, for individual funders, they lower the initial costs of funding because there is less need for investment in grant-making processes and infrastructure;
- Secondly, they reduce the costs of running an international funding programme because administration costs are shared;
- Thirdly, they enable better decision-making by using existing specialist knowledge and expertise;
- Lastly, on a macro scale, minimising the amount spent on replicating processes and infrastructures that already exist increases the amount of funding that actually goes to international development.

Current funders may also wish to consider collaborating or sharing their infrastructure with other funders. Table 6 presents arguments for and against each of the approaches.



**Table 6: Analysis of the options of funding alone or with others**

Approach	Reasons why smaller-scale funders choose this approach	Reasons why smaller-scale funders do not choose this approach
Funding alone	<ul style="list-style-type: none"> <li>• Funder has the freedom to fund what and where it wants</li> <li>• No one else is active in the chosen geographical or thematic area</li> <li>• Wish to maintain independence</li> <li>• Wish to assert name recognition or brand</li> <li>• Wish to pilot a special initiative</li> <li>• Speed of responsiveness greater</li> <li>• Political sensitivities—may require trust and personal connections</li> </ul>	<ul style="list-style-type: none"> <li>• The funder may not have the knowledge or infrastructure required, and it would be expensive to acquire</li> <li>• Existing initiatives lend themselves to collaborative funding</li> <li>• Higher risk</li> </ul>
Funding collaboratively	<ul style="list-style-type: none"> <li>• Makes good use of expertise and infrastructure available amongst participating funders</li> <li>• Increases amount of money going to a particular issue</li> <li>• Can enable the funder to make bigger grants</li> </ul>	<ul style="list-style-type: none"> <li>• Can be difficult to identify possible collaborators</li> <li>• Time consuming for both organisations to make the relationship work well</li> <li>• Different sets of values and characters may demand too many compromises</li> <li>• Danger of ineffective grant-making—investment in process rather than value to beneficiaries</li> </ul>
Using existing mechanisms for parts of the funding process (sharing infrastructure or outsourcing)	<ul style="list-style-type: none"> <li>• Uses existing expertise and infrastructure, meaning that funder does not have to invest in these, so reducing investment needed to make grants</li> <li>• Avoids duplication</li> <li>• Funder can retain most decision rights</li> </ul>	<ul style="list-style-type: none"> <li>• May be difficult to identify opportunities, and willing funders</li> <li>• Funder likes to add value to the grantee at some stage of the process, and cannot do so if using this route</li> </ul>

# Key findings

# 5

## Findings

Relating to UK foundations generally:

- The UK government funds international development on a very much larger scale than foundations. However, government funding of civil society organisations is limited, whereas this is the main focus of foundations' funding. In the funding of civil society organisations foundations play a significant role.
- Amongst the UK public, international giving is the most popular cause for donations, receiving 13% of total public giving (over £1bn per annum). By contrast, only 5% of foundations' total funding goes internationally. Relatively few foundations have programmes for international development.
- Most of the foundations that fund on a larger scale are relatively newly formed; this may reflect an increased awareness of development issues in recent years.
- Changes in government funding means many small and medium-sized UK-based INGOs are struggling to fund their work. Foundations are able to address some of the organisations' needs resulting from this.
- Grant seekers see advantages in funding provided by foundations. Foundations are seen to be flexible and able to respond rapidly to changing needs; willing to support unpopular or marginal issues; and open to trying out new approaches or projects.

Relating to foundations funding on a 'smaller scale':

- Foundations of all sizes contribute to funding international development. The funders in the study commit anywhere between 5% and 100% of their total funds to international development.
- The reasons why the foundations in the study fund international work vary. Most do so in response to their founders' wishes. All are conscious that money goes a lot further in developing countries than in the UK, so that relatively small sums have the potential to make a real difference to people's lives.
- Funding international development does pose challenges, but the foundations in the study have found various ways of overcoming them.
- The methods foundations use for funding international development vary. In many cases the foundations in the study are able to use their standard grant processes with appropriate modifications.
- Most of the foundations in the study fund alone. Collaboration is unusual and is rarely considered.
- Most of the foundations in the study are generalists. Very few focus narrowly, either by geography or theme, in their support of international work.
- The foundations in the study are aware of the potential risks of funding internationally but have found ways of handling these risks—for example, by working through UK intermediaries.

## Paul Hamlyn Foundation: Helping waste-pickers in Delhi

Chintan was set up in 1993 to help address some of the problems faced by waste pickers in Delhi, who scratch out a living by collecting rubbish. Chintan helped waste pickers to get identity cards from the municipal corporation, set up waste picker cooperatives, intervened when they faced difficulties with police and authorities, and linked them with government development schemes using a mix of grassroots and advocacy work.

In 2003, Paul Hamlyn Foundation began to support Chintan with a grant of £4,660 towards a series of workshops that brought waste pickers together with the Delhi police. Support continued with a further grant of £14,000 in 2004 over two years for legal literacy workshops for waste pickers.

There have been two important outcomes. First, Delhi police have created a formal policy to deal with the problems of waste pickers, which includes identifying liaison officers in each police district. Second, 45 paralegals have been created within the waste picker community to deal with day-to-day harassment.

Paul Hamlyn Foundation has continued its support for another two years. Chintan expects to concentrate its work on the particular problems faced by two groups within the waste picker community—women and Bangladeshi immigrants, as well as expanding its work into the neighbouring state of Uttar Pradesh.

# Appendix A – Detail of project scope

## Smaller-scale funders

The focus of the study is UK foundations that fund international development on a small scale, defined as giving £50,000 to £1m per annum to international development (this is distinct from their total size). These are referred to as ‘smaller-scale funders’. A motivation behind the study was the hypothesis that smaller-scale funders face a particular dilemma: on the one hand, the practicalities of funding international development can seem daunting and the necessary infrastructure expensive; but on the other, the needs are great and grants go a long way. It was judged that at funding levels up to £1m per annum these challenges are particularly acute. £50,000 per annum was used as a lower level to limit the scope.

Imposing this range obviously means excluding two groups—those that give more than £1m per annum and those that give less than £50,000 per annum to international development. In fact, larger funders were researched to some extent, as they are an important part of the funding environment, and because there are things that smaller-scale funders can learn from them, and opportunities for the two groups to work together. Those funding less than £50,000 per annum were not researched, due to time limits. However, it is likely that they encounter many of the same challenges, and hopefully this report will also be useful to them.

The study also omitted funders that are not trusts or foundations—notably corporates and individuals. Although these funders differ from foundations there are similarities, not least the need for information on funding internationally, and so we expect the report to be useful to them.

## Focus on funder’s point of view

The study focuses on the funder’s point of view. It looks at the different approaches available for funders, and the strengths and challenges associated with these from a funder’s perspective.

The question of which approach delivers the best results for beneficiaries is clearly important. Though there were various opinions on the impact of different approaches, which are reflected in the document, to our knowledge there is no definitive answer to this question. As the impact on beneficiaries should be central to funders’ considerations, there would be great value in understanding the relative impact achieved for beneficiaries from different approaches.

## Definition of international development

International development is difficult to define. For this study we kept the definition wide, though with some clarifications and exclusions, more to help with scope than to attempt to define international development. These are highlighted below.

In this report, the phrase ‘international development’ refers to:

- work in a country commonly regarded as a ‘developing country’. Work in countries not commonly viewed as developing was not considered;
- work carried out by (or led by) non-governmental organisations (NGOs) or community-based organisations, but not by government or business;
- work related to traditional development themes, such as poverty reduction, education, health, social welfare, and also wider development issues, such as human rights and democracy/governance work. Pure environment/conservation work is excluded, as is emergency relief;
- work in a range of activities, from service delivery to advocacy, but excluding pure research.

# Appendix B – Discussion of method

The research was carried out by NPC between May and November 2006. The two main activities were:

- 1 Identifying and providing an overview of UK funders of international development, and particularly smaller-scale funders;
- 2 Interviews with funders of international development, development INGOs and other experts in international development funding to understand:
  - why and how funders fund international development work;
  - barriers and challenges involved in funding international development;
  - trends in international development funding;
  - the views of INGOs on different types of international development funding.

## Identifying funders and providing an overview

To start with, we identified funders listed as funding projects overseas using [Trustfunding.org.uk](http://Trustfunding.org.uk), and *A Guide to the Major Trusts*, Directory of Social Change, 2005/06. We then used the most recently available annual reports and website information on funders listed as funding £50,000 per annum or more overseas, to find out more about their overseas funding. This research showed that some funders fund work that we did not classify as international development, eg, work in developed countries, research, conservation, scholarships. It also showed that many funders that are listed as funding overseas in fact do not currently fund international development work. Both these types of funders were excluded from the list of international development funders.

There are two important points to highlight. Firstly, The Wellcome Trust was excluded, as it gives to research work in developing countries rather than international development work. In 2005, Wellcome gave £50m to fund global health research activities outside the UK ('Wellcome Trust International Activities in Global Health Research', August 2006). Secondly, we only included organisations that are exclusively grant-makers, and not those that also run their own operations. This meant that charities such as Christian Aid and Oxfam are not included, though they are significant funders of international development work (in these cases making grants of £38.9m and £35.8m respectively in 2005 (CAF Charity Trends 2006)).

Is it likely that we failed to identify some funders of international development through this approach. For instance, we have noticed that the Lloyds TSB Foundations based in Scotland and the Channel Islands have not been picked up. This may be because the key sources for the identification of funders (ie, [Trustfunding.org.uk](http://Trustfunding.org.uk) and *A Guide to the Major Trusts*, Directory of Social Change, 2005/06) draw mainly on Charity Commission information, which covers only England and Wales.

For those funders identified, we collected information on total grants and total grants to international development for the most recent year for which data was available, geographical and thematic focus, and method of funding. This information was collected from annual reports and websites, which means that in many cases we faced challenges with the quantity and quality of data available. For instance, it was often difficult to determine which type of organisation was funded (INGO, indigenous NGO or community-based organisation) and the grant-making processes used. Therefore, the data resulting from this analysis does provide new and interesting information on funders of international development, but it must be acknowledged that it provides a snapshot only and that there are weaknesses in the data.

## Interviews

The majority of interviews were with funders of international development, identified from our mapping of funders. We aimed to cover as wide a range of funding methods as possible through the interviews, and so selected funders that use a range of approaches. Interviews lasted around an hour, and covered the reasons for the foundation funding internationally, the reasons for topic and/or geography focus, the method used by the foundation for international funding, and the strengths and weaknesses of the method.

We identified development INGOs to interview mainly from recommendations of the foundations funding the study. The interviews were carried out by telephone, and covered trends in the funding environment for international development and the impact of these on INGOs, issues encountered in funding provided for international development work, and characteristics of funding that make it particularly useful for delivering good results in international development.

Interviews with other experts varied, but generally covered reasons for and against funding international development, opinions on different methods of funding, and trends in the funding environment.

## Data quality

The data and information presented in the report is the best that we could find. We believe that it presents a robust view of the current situation. However, it is not without fault, particularly the quantitative data: pieces of it are contested, out of date, high-level or not specific. In some cases we have had to use our judgement or best estimates, and where this is the case it is indicated.

The data also presents a snapshot view; unfortunately there is little consolidated information available over time, and the resources required to collect this were outside the scope of the project. The data collected was the most recently available information at the time the research was carried out, and therefore does not relate to the same time periods.