

BROOKINGS

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# Volume and Impacts of Philanthropic Assistance

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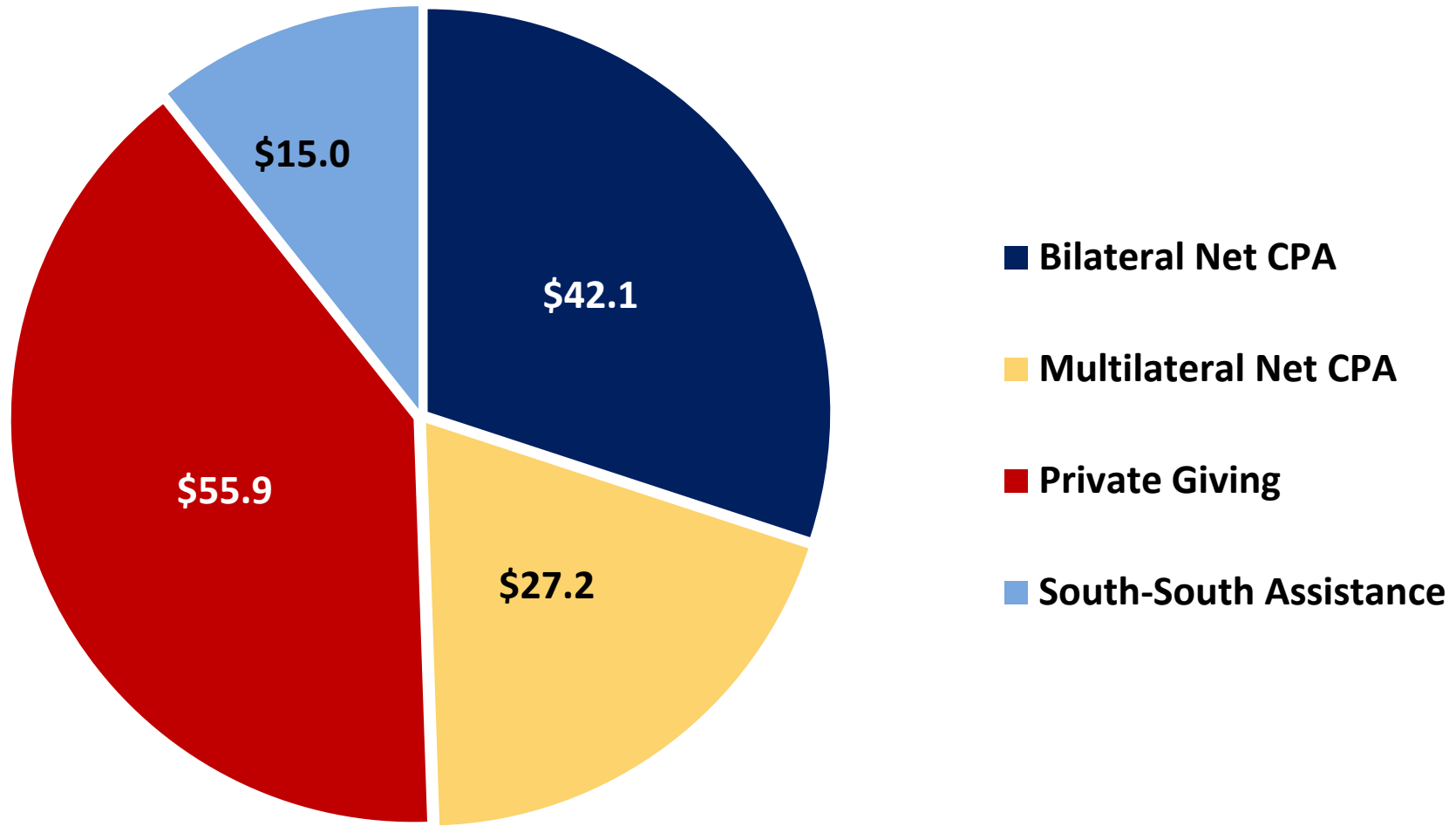
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The Brookings Institution

November 14, 2012

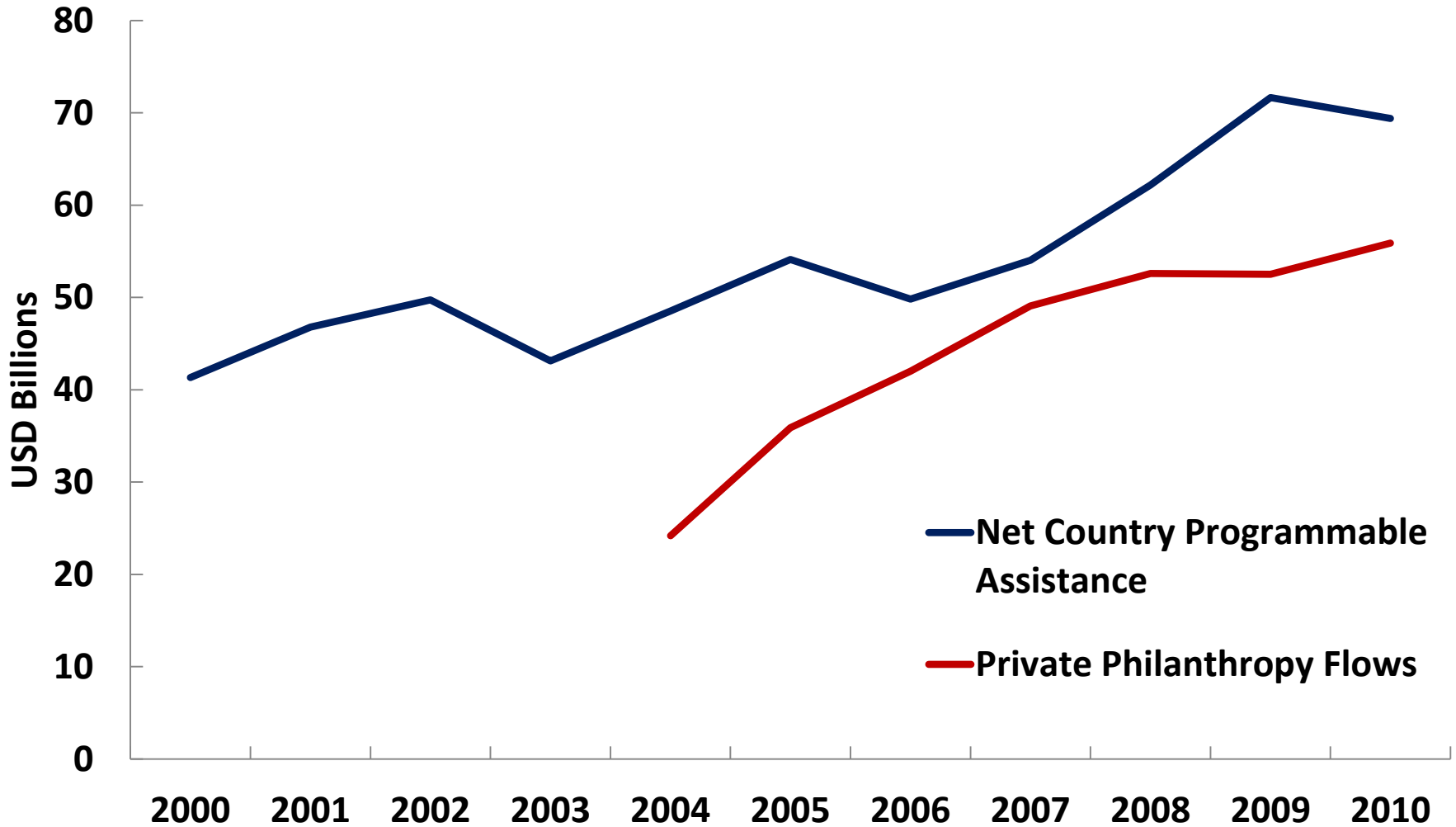
# Extent of Official and Private Giving

*(Most Recent Estimates, USD Billions)*



*Source:* OECD DAC, "The Index of Global Philanthropy and Remittances, 2012," Hudson Institute Center for Global Prosperity, 2012, Homi Kharas and Andrew Rogerson, "Horizon 2025: creative destruction in the aid industry," ODI, July 2012; OECD-DAC; Estimates of Net ODA for 2010, for private giving 2008-2010, and South-South Assistance forecast for 2010.

# Trends in Philanthropic Giving: Volume



# Impact of Assistance

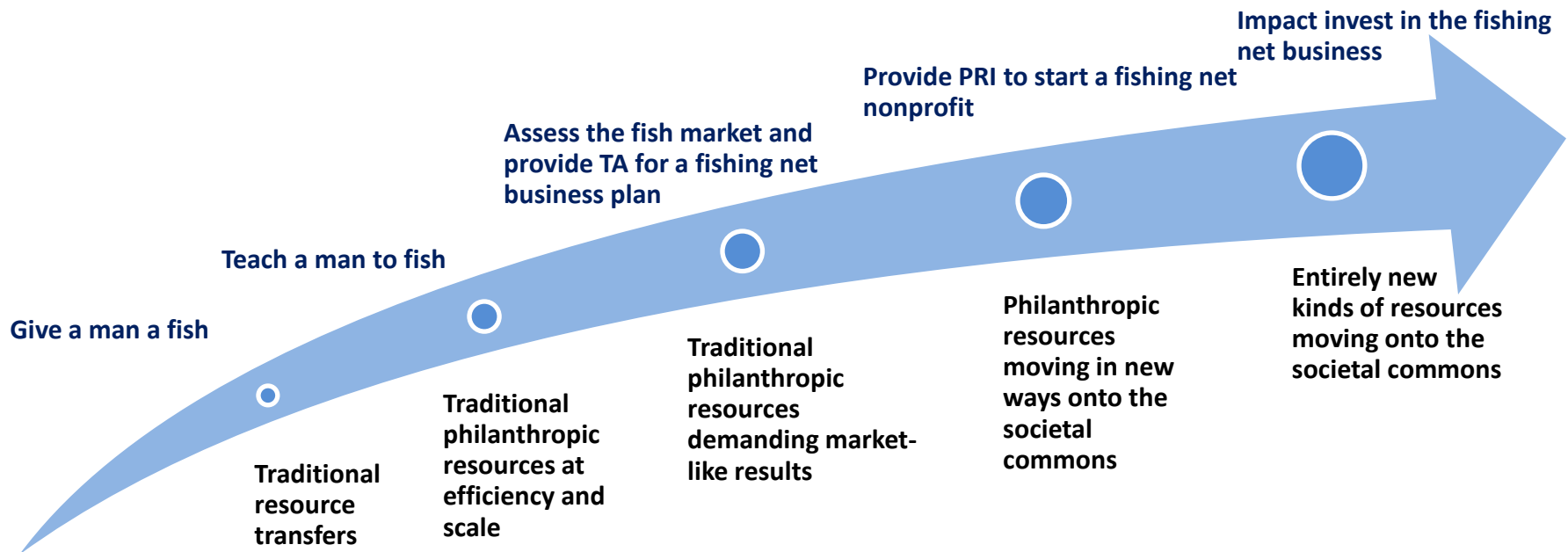
- *Philanthropy*: may be more efficient providers of services because larger share of funding is available for poverty-reducing projects and programs and government intermediaries are by-passed. Fragmented, but some interventions now focus on scale.
- *ODA*: country programmable assistance is only around 55 cents/dollar, and is lower if you account for corruption and leakage. Advantage of dialogue with national governments.
- *South-South Cooperation*: assistance bundled with trade, investment and technical cooperation. May deliver infrastructure projects faster, with less conditions and at lower cost.

# Trends in Philanthropic Giving

- Scalable crowd-funding platforms include *Global Giving*, *Give Directly* and *Kiva*. Kiva channels over \$2 million every week in new loans to entrepreneurs in poor communities.
- By 2025, there could be near-universal mobile phone coverage, implying scope for near-universal banking for the poor.
- Benefits include:
  - Transfer funds without having to go through ineffective national government
  - Demand-driven development
  - Effective targeting of poor people
  - Transparent
  - Low overhead costs
  - Immediate impacts on poverty

# Purpose of Philanthropic Giving

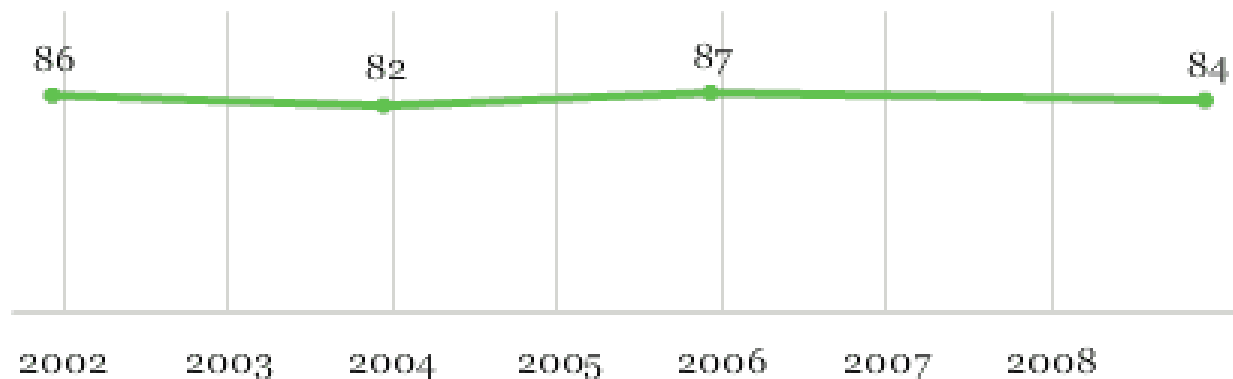
- *Traditional*: Transfer of money in the form of a gift
  - Results in asymmetric relationship between giver and receiver
- *Recent*: Investment of resources to build capacity and create sustained solutions
  - Results in more collaborative partnership, with information and accountability flowing both ways.



# Public Opinion

- A majority (59%) supported cutting foreign aid, only a few percent list as a “top priority” (Gallup).
- Significant misperceptions about aid (World Public Opinion):
  - Mean perceived official giving is 25% of the budget.
  - Mean preferred official giving is 10% of the budget.
  - Mean actual giving is 1% of the budget.
- In contrast, there has been consistent support for philanthropy.

*Total Percentage of Americans Donating Money to Charitable Organization/Cause in Past 12 Months*



# Managing philanthropic assistance in developing countries

- Private aid is a major source of funding outside of ODA.
  - Developing country governments have an incomplete picture of philanthropic aid flowing into the country.
  - Private aid donations are used to implement projects outside government channels, with information provided in uncoordinated formats and on different schedules.
  - This prevents governments from developing comprehensive budgets and complicates planning.
- Aid management platforms act as a central repository for all aid information in a developing country.
  - Development Gateway, World Bank, OECD and other recipient country governments have developed an aid management platform that acts as a repository for all aid information.
  - It has been implemented in over 20 countries across 4 continents.



# Impact of growth of philanthropic assistance on traditional ODA

- Private giving is different from ODA
  - ODA supports countries, private aid tends to support people.
  - Cold War; Iraq & Afghanistan prompt biggest changes
- Field will become more crowded
  - Many new players, e.g. Gates
- Each needs to understand when and how it can partner with the other to meet differing objectives.

# Comparing traditional ODA with private giving

- Official aid tends to respond to variables like country population size, per capita GDP, and institutions (Dollar and Levine, 2004; Desai and Kharas, 2009) .
- Private giving shows only a weak response towards projects based on the poverty or institutional quality of the country.
- Evidence points more towards social relations that recipient countries can rely on in donor countries:
  - Countries with larger numbers of immigrants in the US, with greater proportions of recent arrivals, and with migrants who are richer than compatriots in their home countries, receive Kiva funding at faster rates.
  - Larger shares of migrants in the financial-services sectors, however, receive funds more slowly. Countries claiming larger proportions of refugees to immigrants also receive funding at faster rates.
  - Crowd-funding and remittances are substitutes.