



# FUNDING IN THE 21<sup>ST</sup> CENTURY

Trends and Priorities in the  
Foundation Sector

## Robert Bosch Stiftung

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## Foreword

Poonam Muttreja,  
Population Foundation of India

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It gives me great pleasure to introduce this study and I extend my warmest appreciation to Dasra for according me this special privilege. I would also like to take this opportunity to commend them for working on this whitepaper, which distills the key learnings that emerged from the Foundations Roundtable organized in partnership with the Robert Bosch Stiftung to commemorate the Foundations Day event at Dasra Philanthropy Week in March 2016. The roundtable built on conversations with over 30 sector experts and sought to build consensus on the roles that foundations could play in contributing to the global development agenda and also exploring avenues for collaboration. This is a neat study which provides an at-a-glance way-forward for corporates, philanthropists, foundations and other development actors enabling them to respond to a complex and challenging development scenario.

Our world is experiencing many transformations at a very fast pace. Governments, NGOs and social enterprises alike are innovating and implementing solutions tirelessly to improve the quality of life of people, in their own areas and across the globe. Yet human development challenges abound. Many lives continue to face a range of deprivations, inequalities, discriminations, violation of rights and social injustice. In 2015, world leaders came together to build on the Millennium Development Goals (MDGs) and to adopt the new, ambitious universal agenda reflected in the Sustainable Development Goals (SDGs). While governments have the primary responsibility of meeting these commitments, foundations, can make a substantial contribution too.

Today, more than ever before, foundations have a significant role to play in the development sector – a sector that is extremely complex and demanding. This insightful report by Dasra attempts to outline this role by highlighting the top five priorities for foundations,

going forward. These are, capacity building, working with governments, innovative funding mechanisms, impact assessment and collaboration. Each of these areas is important and significantly impacts the work being undertaken.

Capacity building of organizations is of primary concern, particularly as the focus on targets and cost in the last few years has resulted in a drastic reduction in unrestricted funding to NGOs. It is true that we need to unleash the energy of social entrepreneurs if scale and innovation are to be achieved. However, this focus on entrepreneurs should not be at the expense of unrestricted funding to NGOs. The report makes clear that unrestricted funding doesn't mean a lack of measurable outcomes; rather, it translates into providing NGOs the opportunity to strengthen their system as a whole with a continuous focus on accountability. Integrating solutions into every step of the funding process will enable NGOs to fulfill the organization's mission, ensure sustainability and make a real impact on the community. This necessitates capacity building for NGOs. Many foundations may not have internal resources and capacities to conduct such trainings themselves. Therefore, the report highlights the need to strengthen existing intermediary organizations that serve the NGOs and to, in fact, create more of them. I do believe, that working closely with the government is crucial to scaling social impact. If there is any space where foundations absolutely need to collaborate, it is here. Sharing the foundations' agenda with the government is key to optimizing results. All too often governments require proof of concept, leaving the space for experimentation and risk-funding to foundations. However, at the same time, given the past experience of the UN agencies and some foundations as well as the corporate sector, it is imperative to ensure that the funds from private philanthropy are not seen by the government as a source of funding for their own programmes. Funds from private philanthropy should

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complement, not substitute government funding in social sector initiatives.

There is a need to develop innovative funding mechanisms. Foundations are beginning to innovate in the way they disburse funds. They are making a conscious effort to understand NGOs and social enterprises – from understanding the business of social change to creating financial models required to execute that change. Many of the funding models that are emerging now have a higher level of results expectation, in terms of accountability – which was not the case 15 years ago. This new trend needs to be accompanied by an increased focus on capacity building to allow NGOs (even smaller ones) to remain ‘competitive’ in the development sector in India.

Impact assessment needs to be the key pillar for all the work supported by foundations. They need to have strong systems in place to measure the impact of their grants. This becomes even more significant as foundations link funding to outcomes. It is however important that the focus on proven programs (which can generate solid, reliable evidence) does not reduce the funding for innovation and the risk-taking role of foundations.

It is equally important that foundations begin to actively learn from each other and collaborate on some of these areas. They need to be able to work together to address some of the challenges that face the sector today. There is great scope to actively learn from both the failures and successes of each other, and for foundations to take concrete steps to share that, beyond an “insiders club”.

Today, if foundations are to assist in meeting the SDGs, they have to connect, share learnings, and align goals and responsibilities as a whole. This documentation of trends in the sector is a good start for a sustainable dialogue

and collaboration among actors in the development sector. It is vital to encourage and include diverse voices from government and civil society organizations around the world to contribute to an ongoing conversation that will hopefully lead to successful collaborations, solutions and successes.

I believe that this report fills a gap and expect that it will be a useful tool for diverse development practitioners and stakeholders.

**Poonam Muttreja,**  
**Population Foundation of India**



Clemens Spiess



Christian Hänel

## Foreword

In mid-2014, in the 50th year of its existence, the Robert Bosch Stiftung released a study entitled “Shape the Future. The Future of Foundations”. True to the legacy of its founder, Robert Bosch, who always said that “anyone who stops improving has also stopped being good”, the study addresses the question of how foundations and philanthropists can and should position themselves in the future in light of a rapidly changing, increasingly volatile and globalised environment. Focusing on the growing need for more collaboration between stakeholders from politics, business, and civil society as well as the increasing importance of impact orientation, transparency and legitimacy of foundations, the study came up with a future agenda for the sector involving recommendations for more clarity in foundations’ positioning, working towards a sharper focus and enhancing foundations’ organizational strengths.

The context of the study was the German foundation sector and perspective, which was complemented to some extent with insights from trends and developments in other European countries and the USA. To bring in other regional perspectives and to further internationalize the exploration into the ‘future of foundations’ the Robert Bosch Stiftung teamed up with Dasra and conceptualized a roundtable for representatives from some of the most influential foundations worldwide. The roundtable, aptly titled ‘Greater Impact: The Role of Foundations in the 21st Century’, was part of the Dasra Philanthropy Week in Mumbai in March 2016, adding substantially to its appeal. Informed by more than 30 interviews with foundation representatives and experts that Dasra conducted in the run-up to the roundtable, this whitepaper, additionally building on comprehensive research by the Dasra team, summarizes the roundtable’s discussions and thus identifies the most relevant trends in funding and covers the top priorities foundations have to address in order to stay relevant and effective.

In terms of trends, three stand out in their importance for the future of funding: Firstly, an increasing interest in and influx of more entrepreneurial and business practices when it comes to giving – visible from new funding mechanisms such as, for example, social and impact investing; secondly, a changing role for foundations, or philanthropy in general, when it comes to their positioning in development and addressing social issues, which manifests itself in more openness towards multi-sectoral governance in development and other fields; and, last but definitely not least, an increasing amount of funds and resources that are available – either because of a rapidly growing creation of wealth or because of other triggers (such as, for example, the rather unique Corporate Social Responsibility legislation in India that makes it mandatory for corporates of a certain size to spend 2% of their profit for CSR).

In terms of priorities, again, three are of utmost importance when it comes to thinking of an adequate reaction to these trends, and there are crucial questions for the foundation sector that result from these priorities:

**Collaboration:** Different foundations bring different resources and competencies to the table. Co-investing is already a matter of course. But is there a way forward to a more strategic collaboration, one that moves beyond internal debate circles and involves joint responsibility and pooling of, not only monetary resources, but also a lively exchange regarding successes and failures? And what roles do and can intermediaries play in this regard? Foundation collaboration – even more so at an international level – can be a tricky thing but there are some best practices that can contribute to the sector’s education.

**Innovations and funding mechanisms:** The influx of more entrepreneurial approaches in the foundation sector brings along a much stronger focus on impact,

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but also involves a stronger inclination towards risk-taking and getting out of the 'comfort zone' of traditional foundation activities. How do foundations overcome their lack of expertise in that regard? Does that mean involving more people from outside the sector? And what about the different regulatory frameworks for foundations across geographies; what kind of advocacy is needed to adapt these frameworks to these new approaches? In sum, what is the way forward, so that impact gradually becomes the main benchmark for successful foundation activities?

Capacity building of grantees: New approaches to giving, new technologies, and new role definitions of civil society actors in multi-sector and multi-level governance of course demand new skills, new institutional set-ups and new ways of communications from grantees. Are foundations willing to provide more room for capacity-building in their funding? And how do they go about it? Through intermediaries?

The whitepaper details and analyses these priorities and provides some answers to these questions, but it is only one further step in what has to be a constant exchange between and reflection among foundations as well as a sharing of experiences within the sector. We wish the whitepaper a wide readership and thorough dissemination, hope for some of the insights to find their way into foundations' practical work, and would like to thank Dasra for the excellent organization of the roundtable and all the efforts that have gone into what we think is a most relevant publication.

**Christian Hänel & Clemens Spiess,**  
**Robert Bosch Stiftung**

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A  
BIT OF  
CONTEXT

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In the middle of the 20th century, some of America's most storied grantmakers, including the Ford Foundation, the Rockefeller Brothers, and the New World Foundation, placed the heft of their wealth and influence behind the country's growing civil rights movement – and in doing so earned the wrath of their government.

This was because the foundations backed the movement extensively, including providing funding for voter registration drives in the segregated South as well as supporting a range of civil rights groups. This did not go down well with the nation's pro-segregation politicians who opposed them fiercely – some like the Republican Wright Patman even lobbied for the government to take over the foundations' charitable work.<sup>1</sup>

Today, they actively collaborate with governments where needed, and are among the heaviest financial contributors in the development sector. For example, of the 28 global foundations interviewed for this whitepaper, 21 of them collectively gave USD 18 billion in 2014-15,<sup>2</sup> a number roughly equivalent to the GDP of Iceland.<sup>3</sup>

To spotlight both the growing influence and the impressive span of accomplishments of foundations in this whitepaper, Dasra conducted interviews with over 30 sector experts, including heads of global philanthropic foundations, and building on these interviews, hosted a roundtable in Mumbai in March 2016, in partnership with the Robert Bosch Stiftung. The roundtable brought together 25 of the most influential foundations worldwide, with the aim of building consensus on the role that their organizations can play in contributing to and fueling the global development agenda and to explore avenues for collaboration.

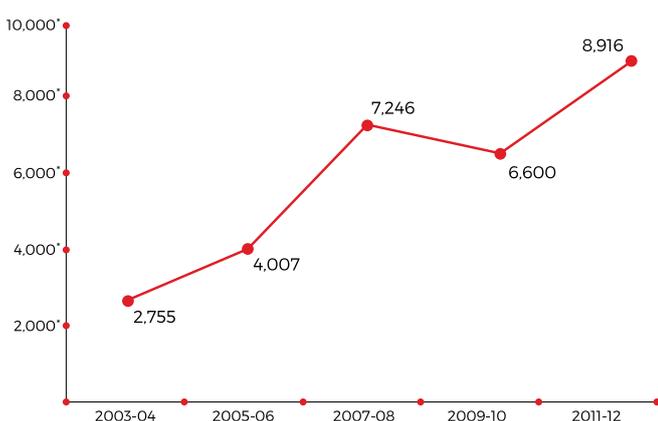
## Foundations and the philanthropy ecosystem

Foundations are key actors among civil society organizations with a unique and vital role to play in society. Established with their own endowments, they are generally considered institutional manifestations of philanthropic commitment.<sup>4</sup> Although they vary considerably in size, the largest are known to have access to vast financial resources as well as the independence to have a noticeable impact on cultural and global development priorities. But things were not always like this.

Modern philanthropy emerged in the early 20th century, with the establishment of the first large American foundations.<sup>5</sup> But even 15 years ago, while they were respected for their contributions to reducing poverty, promoting and safeguarding cultural heritage the world over, and improving education and healthcare among other things, foundations did not have a noticeable impact on a global scale, because of their relatively limited corpus sizes.

This has changed considerably since 2000, with an increasing number of foundations working in the space, and today, data shows that foundations have spent well over USD 30 billion (INR 19,500 crore) from 2002 to 2012, just on causes that contribute to achieving the UN Millennium Development Goals.<sup>6</sup> During that period, investment rose significantly, with foundations spending USD 2 billion (INR 13,000 crore) towards these goals in the first two years, but over USD 8 billion (INR 52,000 crore) in the last two.<sup>7</sup> Even more significantly, foundations spent well over USD 97 billion (INR 657,335 crore) towards the Sustainable Development Goals between 2010 and 2013.<sup>8</sup>

### Foundation funding:



\* Units in USD Million

# Foundations: *A definition*

Because foundations are so diverse, with widely ranging strategic priorities, it is difficult to formulate a one-size-fits-all definition.<sup>9</sup>

However, it is generally accepted that foundations are independent, non-profit organizations, possessing a principle fund of their own that is managed by their own trustees and directors to promote activities that serve the common welfare of communities.<sup>10,11</sup> For the purpose of this whitepaper, Dasra defines foundations as institutional givers, including traditional, private foundations as defined earlier, as well as public foundations that operate without their own endowment and instead raise funding from a variety of sources, and for-profit entities such as impact investors.

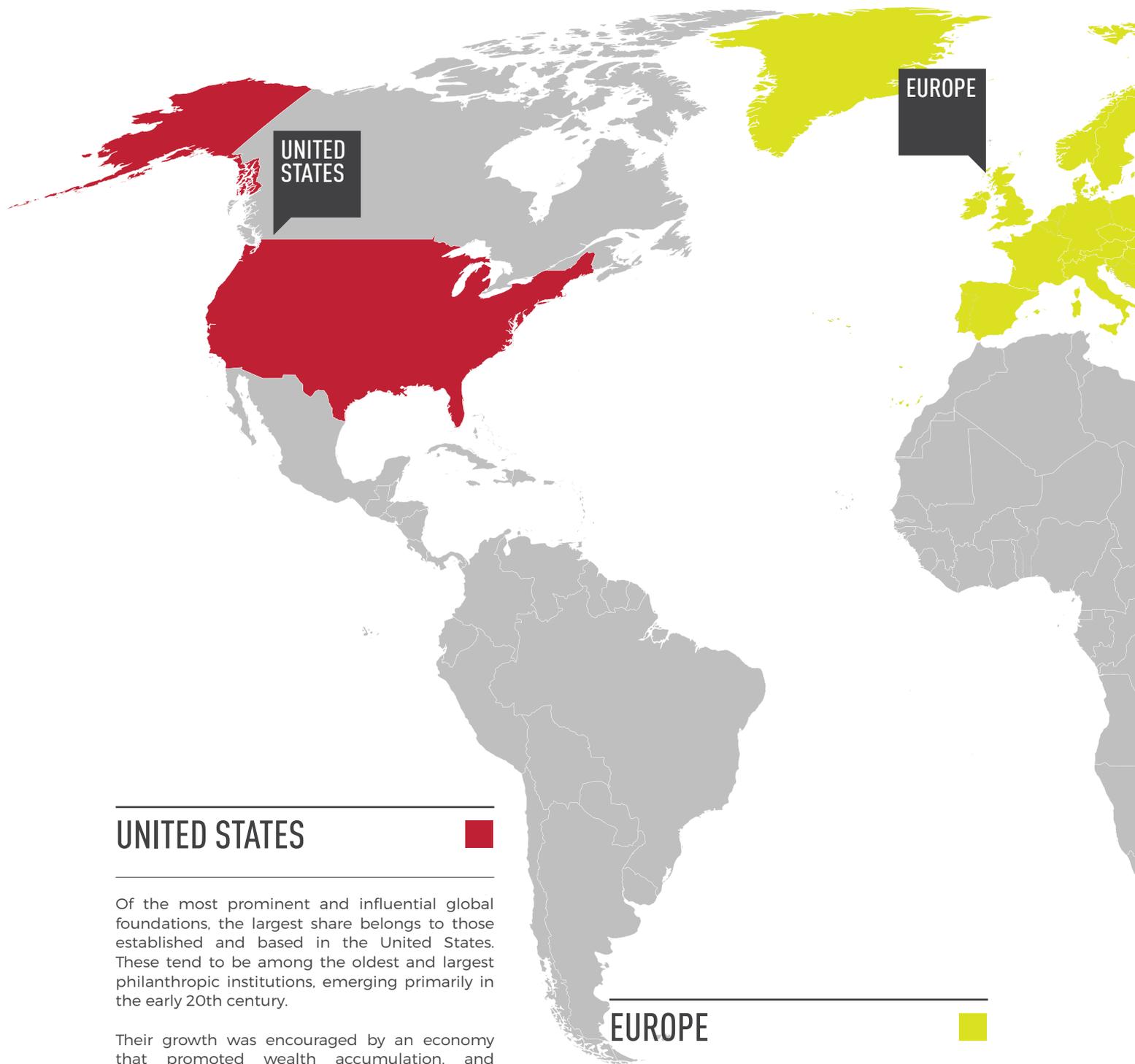
In addition to contributing to the global development agenda, Foundations play a key role in providing what economists call public goods, i.e. goods that are available to everyone, regardless of a consumer's capacity to pay.<sup>12</sup> Common examples of these are clean air, public infrastructure, education, arts, parks and scientific research. Supply of such goods is one of the basic functions of the state, but often the choice of which public goods are to be supplied are subject to market and political pressures. Foundations are able to fill the gaps that such pressures create, by funding public goods that are under-produced by the market and the state.<sup>13</sup>

**Foundations are free from the yoke of political and market pressures that come in the form of short-term election cycles, or competition and the need to turn a profit. This allows them great flexibility in what they put their funds into, because they are only answerable to the preferences and ideas of their donors, founders and their own board of governors.**<sup>14, 15, 16</sup>



# The geographic spread of global foundations

The foundation sector shows clear trends in three geographies – the United States, Europe and Asia:



## UNITED STATES



Of the most prominent and influential global foundations, the largest share belongs to those established and based in the United States. These tend to be among the oldest and largest philanthropic institutions, emerging primarily in the early 20th century.

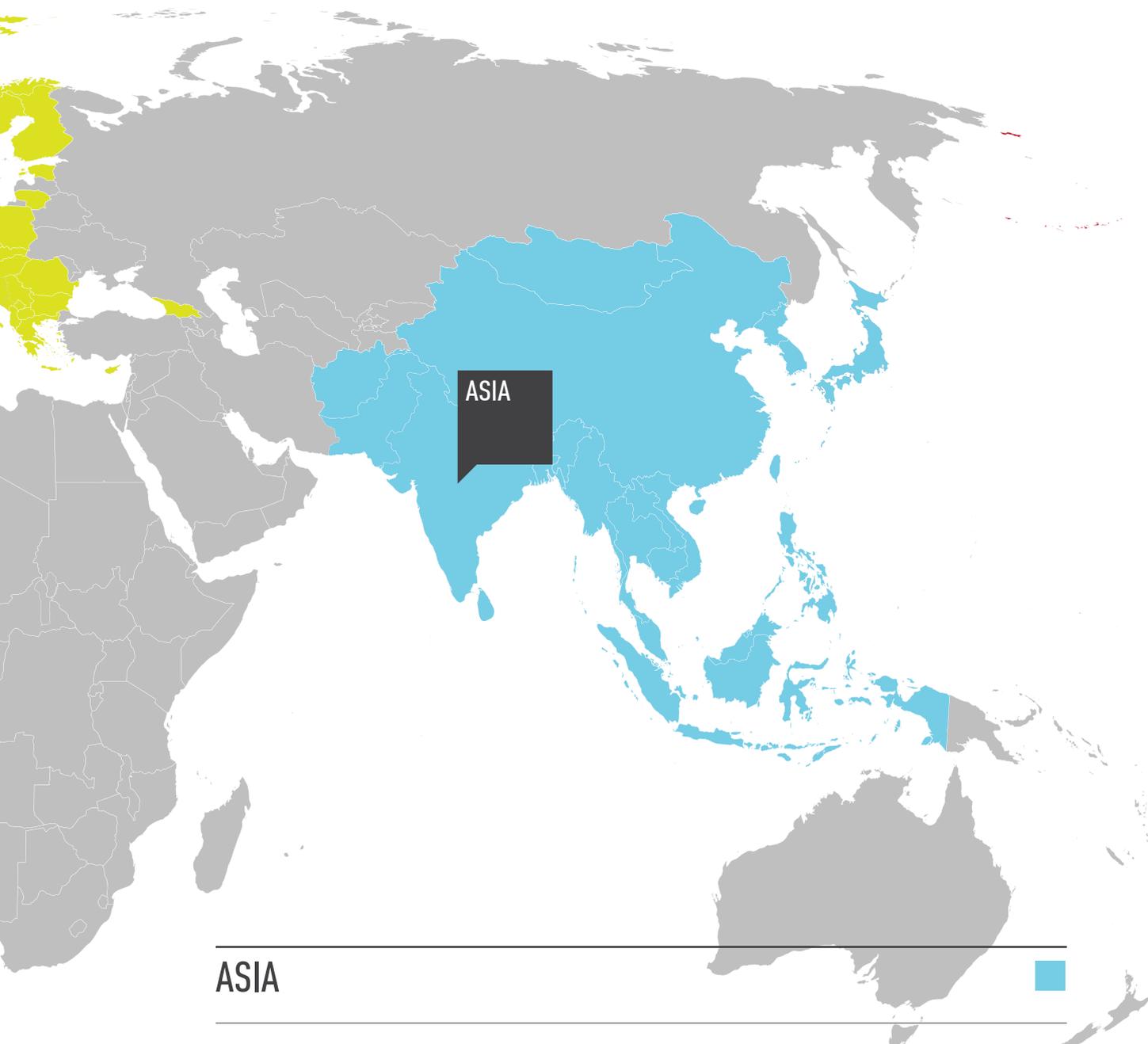
Their growth was encouraged by an economy that promoted wealth accumulation, and also encouraged the use of private wealth for charitable purposes through taxation structures and cultural norms. The US has long led the world in private philanthropy.<sup>17</sup>

This has not always been seen as a good thing, with some critics arguing that philanthropy is more ingrained in American culture because inadequate government welfare policies and extreme inequality create social conditions that increase the need for it.<sup>18</sup>

## EUROPE



In contrast, European foundations only started to emerge in large numbers in the second half of the 20th century. The growth of European foundations has been constrained partly by relatively high levels of personal taxation, as well as cultural norms in some countries that support a wide and comprehensive government social safety net. However, in recent years, the number and scale of foundations in Europe has accelerated tremendously.



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## ASIA

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The trend of locally founded global foundations does not extend to the Asian continent. Research on foundation giving in the region is hard to come by, and available research leads to three key conclusions:

- Almost all charitable giving in developing Asian countries is local or national in character.
- Most of it is to religious causes, and religious organizations are the source of many social welfare programs.
- The growth of a global foundation sector in a number of Asian countries is hampered by an unfavorable policy environment – for example, some governments exert outright control over the activities of foundations, and some have tax laws that discourage philanthropy.<sup>19</sup>

### Japan

One exception to this trend is in Japan, where foundations largely emulate the model of American foundations, with a few key differences arising from Japanese corporate culture, and a different remuneration and taxation system. Because the traditional structure of the Japanese economy discourages the amassing of great wealth, Japanese foundations are mostly corporate in nature – created by corporations as a response to social pressures that prompted them to give back to society.

# The primary role of foundations

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## 1) Risk Taking

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“As foundations, we should be doing the stuff that the other guys find too damn hard or too politically challenging. We should be taking a bit more risk, which means we need to have systems in place to fail early if we have to fail, and we will fail in a number of areas. We should innovate a lot more and bring in different kinds of ideas. Sometimes, when you fund innovation and it succeeds, you have a massive opportunity to change the dynamic of an entire sector.”

– Hisham Mundol, Executive Director of Strategy and Partnerships, Children’s Investment Fund Foundation

Because of their limited accountability to external stakeholders, foundations are uniquely placed to engage in early-stage, high-risk, long-run policy implementation and experimentation.<sup>20</sup> Particularly, foundations can fund systemic change, or projects that aim to “transform the forces that hold societies back.”<sup>21</sup> They may also provide risk capital to create proof-of-concept programs that the state and the private sector can then adapt for greater scale. There is common agreement today that foundations should be risk takers, a role that no one else in the ecosystem can play.<sup>22</sup>

## 2. Innovating

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“We are in the business of funding innovation. We look at the uniqueness of the idea – has it been done before? We quickly put on a hard hat and start looking at product-market fit. Is there a large enough market for the innovative organization and its product/service? This comes up in discussions really quickly. We also look at scalability. We believe the purpose of innovation is to empower and achieve impact at scale, scale being underlined. We also look at affordability, and finally the potential to change people’s lives. This is the broad framework.”

– Roopa Kudva, Partner, Omidyar Network

Foundations are also best placed to understand gaps and opportunities in government programming for social good, and then work to plug them through program innovation. When it comes to innovation, foundations have one clear structural advantage: they can operate in a longer time horizon than businesses and elected officials can.<sup>23</sup> The private sector is held accountable by quarterly earnings statements, while state officials are driven by the need to show immediate impact from money spent within short election cycles. Foundations on the other hand are able to weather the loss on innovations that fail, and simultaneously be patient with their investments, with an eye on long-term social gains. Innovation and scale lie on two ends of a spectrum, with foundations choosing to stay at one end or the other. It is important for foundations to position themselves strategically on this innovation-to-scale continuum. While it is sometimes true that scale is achieved at the cost of innovation, it is also possible that innovation and scale can co-exist. Foundations must evaluate how their portfolios can do both.

## 3. Influencing

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“Foundations can play a role in educating philanthropists, as philanthropists have more freedom to take risks, in the same way that a small foundation can take risks. But to have an impact, you have to have strategy – foundations can help [formulate that strategy].”

– Lynne Smitham, Co-founder, Kiawah Trust

There is a growing influx of capital into philanthropy, with increasingly large sums of money being committed, increasing levels of official development aid, and even larger amounts coming in through corporate social responsibility funds. Some estimates put all this at over USD 3 billion annually. This capital is relatively new to the development sector, with very little strategy and understanding of how to make long-term impact. Foundations, on the other hand, have had a long history of working and innovating in the sector, and they must play a role in educating and advising how this new capital inflow can be best leveraged. Foundations can also extend this influence by working other implementers in the development sector to create common standards for work, and with governments world over to advocate for policy changes and make policy recommendations based on their vast experience in the sector.



# 911

## A large-scale example of foundation innovation – The 911 emergency line

One of the most used metrics for success for any foundation is not the creation and maintenance of a development program, but a proof-of-concept that can be replicated and scaled by the government and social sector.<sup>24</sup> One very successful example of this is the 911 emergency phone line in the United States.

In 1972, before the creation of a single number that accident trauma victims could call for help, there was often confusion about who people in need of immediate medical attention could call. One American city, for example, had 78 different emergency phone numbers to choose from, depending on the nature of the emergency. Compounding this was the lack of ambulances – in the early '70s, ambulances were solely used to transport victims to the closest hospital, a service often provided by morticians who were the only people with vehicles that fit a stretcher.

This often proved fatal – the National Academy of the Sciences estimated in 1972 that 1.5 million people were injured in accidents every year, of which 115,000 were killed. Of these, up to 90,000 could have been prevented by better emergency treatment.<sup>25</sup> It was in

this context that the Robert Wood Johnson Foundation announced a USD 15 million grant program to help develop regionalized emergency medical services.

The funding was disbursed to 44 emergency response organizations who were encouraged to form coalitions with other local agencies in the field. The grant had three main components: equip ambulances with radios to help them communicate with dispatchers and hospital personnel; train ambulance drivers and central dispatchers; and facilitate inter-agency coordination. The grant funded the creation of a role for central dispatchers, medical training for ambulance drivers, and the creation of a single phone number that people could call for help.

It was this grant that led to the creation of the 911 system as it is known today. In 1973, only 11% of the people in areas supported by the foundation had access to a 911 number (or a comparable one). By the program's end in 1977, 95% of them did. The foundation's grant allowed the system to show real impact, encouraging the government to provide greater support.

## Five trends in foundation giving

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1. An increasing push to consider different funding strategies, although traditional philanthropy remains critical to drive long-term systemic change.
  2. A marked growth in venture philanthropy.
  3. A focus on integrating with a larger ecosystem.
  4. An increasing view that funding needs to be more strategic, by focusing on specific problems, and a greater emphasis on the outcomes and impact of funding.
  5. Greater emphasis on bringing business principles into philanthropy.
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# 1.

## An increasing push to consider different funding strategies, although traditional philanthropy remains critical to drive long-term systemic change

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“At the individual philanthropist level, there is greater awareness and interest from successful professional and business people wanting to give back to society in a much more structured and strategic manner. While I don’t think this has translated into huge sums of money as of now, people are now thinking much more seriously about the causes they would like to support, and how they should go about doing that.”

– Head of an Indian Corporate Foundation,\*

The success of technology-based start-ups has created a new breed of philanthropists who are much more investment-oriented in their approach to philanthropy.<sup>26</sup> This has led to new forms of funding, such as impact investing and a shift towards market-based strategies as a response to common social problems. This focus has had undeniable benefits – “these donors [that have made this shift] have reduced the economic risks of vaccine research, drug delivery, financial services and other vital interventions.”<sup>27</sup> But systemic social problems are often unresponsive to market-based solutions.

It was this problem that philanthropy was designed to solve – by funding activities that cannot provide returns or attract government support.<sup>28</sup> For example, gross violations of human rights, including issues like domestic violence and child marriage are likely to be best tackled through traditional grant giving. It is therefore important that foundations stay focused on the problem rather than the solution, leaving themselves room to respond to problems with the full variety of funding mechanisms at their disposal.

\* Name withheld on request

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# 2.

## A marked growth in venture philanthropy

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“An organization could say, ‘we are willing to look at a thousand grants next year’, and they would go in with the approach that only 5-10 of them will succeed. The fact that the other 995 fail will not bother them as long as their 5-10 shine – it’s the venture capitalist approach.”

– Hisham Mundol,  
Executive Director of Strategy and Partnerships,  
Children’s Investment Fund Foundation

One clear trend in the foundation sector is a shift from the traditional approach of funding charitable organizations to that of venture philanthropy. Venture philanthropy does not imply the adoption of a for-profit model instead, it means funders are taking more of a systematic and strategic approach to philanthropy by bringing in managerial principles, and insisting that money needs to work efficiently to deliver change. Venture philanthropy encourages a high-risk, high-reward approach, experimenting with a wide variety of grants, understanding that not every grant will be a success, but those that are have the potential to be transformative.

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# 3.

## A focus on integrating with a larger ecosystem.

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“I’m seeing much more of a commitment to integration with a larger development agenda. Meaning increasingly, foundations are recognizing their role in a broader ecosystem, and are showing a commitment to playing within that larger structure.”

– Matt Freeman,  
Senior Director of Investment,  
Girl Effect

Increasingly, foundations are recognizing that they have a role to play in achieving global development goals. They are much more interested in understanding the work of traditional development institutions and partnering with them.<sup>29</sup> This is also partly driven by a new global agenda – the introduction of Sustainable Development Goals (SDGs) in 2015 has widened the scope of work available for foundations, which also increases the cost of achieving these goals.

Some estimates put the total cost of the SDGs at around USD 3.9 trillion a year in developing countries alone, with the same sources estimating a USD 2.5 trillion annual funding gap.<sup>30</sup> Towards addressing that, we now see increasing co-operation among official development agencies and foundations, which have until recently worked on parallel tracks without much collaboration. One example is the Global Network of Foundations Working for Development, which is “a group of foundations committed to optimizing the impact of philanthropy for development by sharing experiences and lessons, influencing policy and developing innovative partnerships.”<sup>31</sup>

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## 4.

An increasing view that funding needs to be more strategic, by focusing on specific problems, and a greater emphasis on the outcomes and impact of funding.

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“Until recently [2012], the MacArthur Foundation worked on RMNCH+A, which took us in many different directions. But now, we work specifically on reducing maternal deaths. It is more tightly framed. We find that when the problem is more tightly defined and we know what we want to achieve, we are able to have a bigger impact.”

– Dipa Nag Chowdury, Deputy Director,  
India Office,  
MacArthur Foundation

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Foundations traditionally have been fairly patient with the way they drive change. However, over the last 10 years, the foundation sector has seen an upswing in the intensity and extent of outcome-oriented philanthropy.<sup>32</sup> The rising trend of venture philanthropy and impact investors, and the sector’s increasing openness to market-based solutions has put a sharper light on measuring impact. In response, philanthropy now seeks to achieve clearly defined goals through monitoring and evidence-based strategies.<sup>33</sup>

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## 5.

Greater emphasis on bringing business principles into philanthropy

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“The issues faced by for-profit and non-profit organizations are exactly the same – How to attract and retain people? How to scale up? How to make sure you don’t lose the agility and passion?”

– Roopa Kudva, Partner,  
Omidyar Network

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The rise of venture philanthropy has created “a new way of doing philanthropy,” one that borrows heavily from the corporate sector. This includes an acknowledgement that while the aim of philanthropy is very different, the challenges that leaders of non-profits and foundations face are largely the same as those in the for-profit sector. And this is driving a growing view that the philanthropic sector could benefit greatly from the for-profit sector, bringing in skills and practices around human resources, strategy, supply chain management, even behavior change.



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Factoring in the role of foundations in the philanthropy ecosystem, as well as current trends in foundation giving, Dasra has identified five key priority areas for foundations:

- A focus on bringing in business principles and prioritizing talent has made it critical for foundations to work on capacity building of their grantees and building institutions, not programs.
- The introduction of different funding strategies and the rise of venture philanthropy have led to much innovation in the way foundations fund programs.
- A renewed focus on outcome-oriented philanthropy has made it critical to understand evolving evaluation practices in the sector.
- The push for scale and strategy also makes it crucial for the foundation sector to effectively work with governments the world over.
- Finally, an overarching theme emerging across Dasra's research is that it is becoming more and more important for organizations to collaborate and partner with each other, in order to stop reinventing the wheel.

**Distilling the action areas out of the five trends in foundation giving leads us to the following five priorities, on which this report will provide in-depth analysis:**

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*Chapter 1*

# WHY CAPACITY BUILDING IS CRITICAL

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This chapter outlines:

- What Capacity Building really means
- Common hurdles in Capacity Building and their solutions
- Three good practices in Capacity Building

## Sol's ARC – from 6,000 children impacted in 10 years to 6,000 children this year

Sol's ARC is a non-profit that runs a therapy center and school for children with special needs in Mumbai, India, to help them reach their full potential. Earlier this year, its CEO Sonali Saini realized that to reach children and youth on the scale that she wanted, she had to think out of the box.

Aiming for an outside perspective, she attended the Dasra Social Impact Leadership Program (DSI LP), with support from the Robert Bosch Stiftung.

**“Our partnership with Educate Girls was the biggest takeaway from the program, followed by all the insights on how to scale. The outcome of the program and the funding is that we grew from a budget of around USD 51,800 (INR 35 lakh) last year to approximately USD 300,000 (INR 2 crore) this year. That's a big, big jump for us in terms of scaling up.”**

– Sonali Saini, CEO,  
Sol's ARC, India

Using a workshop format and Harvard Business School case studies, DSI is a peer learning-based initiative targeted at leaders of social organizations, to help them grow their organizations strategically and achieve scale. Its programs cover multiple aspects of institution building such as strategy, fund raising, impact assessment and talent management.

Sol's ARC has moved from impacting 6,000 children in the last decade to 6,000 children this year, and aims to impact 50,000 children in the next year. Sonali credits most of this growth to DSI LP and the leveraged funding she got from GMSP (God, My Silent Partner) Foundation through Dasra. She lists the three benefits of DSI LP as:

- **Peer learning:** “I learned a lot about scale at DSI LP. It gave us a great idea of how organizations scale, what efforts they put in, and what Sol's ARC needs to do to replicate that.”
- **Networks and partnerships:** “LP also gave us the opportunity to connect with alumni members and build our network. In terms of ideation and educational outcomes, we saw lots of similarities between us and Educate Girls (a non-profit with a great growth story in India, and an LP alumnus). This is why we saw value in having Safeena (CEO of Educate Girls) on our advisory board. As she started interacting with us, it evolved into a partnership.”
- **Motivation:** “The speakers (at LP) are really inspiring, because these are people who've made it in the field. And the value is that they don't just talk about their successes, they talk about their struggles as well.”

Next is a story from the United States.

A four-year capacity-building push took Fathers' Support Center from an annual budget of USD 1 million to more than USD 3 million, attracted federal funding, and gave it recognition as a national model.

Fathers' Support Center of St. Louis works to give fathers the resources and skills they need to become involved parents. Since its founding in 1997, Fathers' Support Center (FSC) has helped more than 9,000 fathers reconnect with their children and be able to support them financially and emotionally. From 2008 to 2012, FSC went through a period of organizational transformation, growing its annual budget from USD 1 million to more than USD 3 million, attracting federal funding and gaining recognition as a national model. CEO Halbert Sullivan credits much of this transformation to a single source – a four-year capacity-building investment from Deaconess Foundation in St. Louis, that included significant financial support as well as a range of consulting, peer exchange and training opportunities.

This partnership helped FSC expand administrative staff positions – including the position of a development director – to significantly improve its fundraising and marketing strategies, beef up its evaluation capacity and create a new website and enhanced communication materials. Says Sullivan, “If we are to succeed and grow over another decade, FSC needs to last beyond my vision. I am trying to help others become leaders in our organization so I know that FSC will be around for a long, long time, and the support from Deaconess Foundation has been instrumental in making that happen.”<sup>34</sup>

What do these two stories have in common? They are stories of organizations doing tremendous work and creating significant social impact. But they are also stories of capacity building support elevating organizations to achieve their full potential.

## What Capacity Building really means

**The term ‘capacity building’ carries several meanings in the foundation world. Dasra interviewed over 30 international foundation heads and asked them, “What does Capacity Building mean to you?” Below are some of their responses, as well as Dasra’s own understanding of the term, to be used for the purpose of this white paper.**

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“Capacity Building looks at investing in the organizational capacity of non-profits to help them access skills and programs they would otherwise not have access to, and to make their business plan or strategy more robust.”

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“I associate Capacity Building with management skills, quality of management, training and development, and systems of an organization around finance and accounts, reporting and review.”

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**Capacity Building is the provision of funding and/or technical assistance to help non-profits improve effectiveness, primarily at the organizational level, with a goal of fulfilling the organization’s mission, ensuring sustainability and having real impact on the community.**

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“Capacity Building means improving the professionalism and bandwidth of a non-profit team, mostly focusing on empowering second-level management.”

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“Sometimes, we get caught up with definitions and forget the cause. I believe in having a broad definition, which over time gets narrowed down. Capacity Building is essentially identifying a needs gap – what are the gaps in an organization, or what is preventing a sector from achieving what it wants to?”

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# The non-profit starvation cycle

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Despite the importance of creating sustainable institutions that can effectively implement social programs, most non-profits face a persistent underfunding of their overheads, fueled by what Bridgespan calls the non-profit starvation cycle.

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Over time, funders expect grantees to do more and more with less and less, a cycle that slowly starves non-profits.<sup>35</sup>

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# Common hurdles and their solutions

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## 1.

### > Problem

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#### Measuring the impact of Capacity Building activities is complex

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In a study by the Center for Effective Philanthropy, several foundation leaders acknowledged that unrestricted operating funds are more effective for grantees.<sup>36</sup> However, it is hard to articulate the impact that Capacity Building has on the ground. Instead, funders prefer to support projects that have clear-cut results as a way to show the foundation's prominence in a specific area.

### > Solution

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#### Integrating solutions into every step of the engagement

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In a report on how funders approach Capacity Building, Grantcraft delineates process-oriented advice from funders on how to investigate impact throughout a Capacity Building engagement.<sup>37</sup>

- **Before making grants:** It is key for foundations to articulate their Capacity Building theory of change before making the grant. For this, it is imperative to find answers to questions like, "Is this Capacity Building support a means to an end, or the end in itself?" It also makes sense for foundations to conduct thorough due diligence, and gather data during the grant application process itself, to be able to compare this to data at the time of reporting.
- **Throughout interaction with grantees:** Foundations need to involve grantees in the design and implementation of Capacity Building evaluation strategies. This instills in them a sense of ownership and accountability in evaluating impact.
- **During reporting:** Story-telling is a powerful tool, and foundations have expressed their need to be able to turn existing data – qualitative and quantitative – into compelling stories that demonstrate the need for investment in Capacity Building. Everything from off-hand comments to reporting can be leveraged to show impact. It is also important to keep grantees informed and to communicate assessment findings back to them, to ensure that it becomes a learning tool for them.



How the  
Omidyar Network  
does it:

Omidyar Network has a strong focus on helping its organizations strengthen their operations. Beginning with its due diligence, Omidyar Network partners closely with its investees to develop plans to help the organizations succeed. While the due diligence process is primarily about whether or not to invest, it is also an opportunity to explore strategically important issues that ultimately help the firm provide the best possible support. During this process, the management teams of the grantee and Omidyar Network agree on the metrics that will be used to evaluate the organization's progress. So the diligence process serves as a base for all subsequent evaluation. The firm's investment professionals regularly review each grantee's performance against the agreed-upon metrics, actively working with grantees to establish a positive long-term relationship.

Omidyar Network also recognizes the need to be flexible, given rapidly changing environments. The firm is primarily a core funder, and the majority of its grants offer unrestricted support. On occasion, Omidyar Network builds in a conditional component to its grants – to be disbursed on the achievement of certain pre-decided milestones. It holds board seats or board observer rights in about 40% of its portfolio organizations, and metrics are usually reported by the management team at board meetings. The grant agreement also typically requires the grantee to provide quarterly progress reports against the metrics. To supplement ongoing performance-tracking and to comprehensively evaluate grantees' progress, Omidyar Network holds an annual, internal portfolio review.

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## 2.

### > Problem

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#### Foundations often lack in-house resources to undertake Capacity Building

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Of the foundations Dasra interviewed, 90% of those that did not provide Capacity Building support to their grantees cited a lack of resources/expertise in the area. For some, their grantees were located in geographies where they had little political, cultural or social context, and so were unable to give them support. Another common trend among foundations was simply the lack of time or bandwidth to be able to provide Capacity Building, as their mandate emphasized other areas of focus.

### > Solution

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#### Find local partners, or outsource

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**“It is a challenge to work in a country that you don’t live in. Being a UK donor in a foreign country, you have to really understand the culture, political arena, how to communicate, and how to deal with organizations. People say ‘culture is context – customize everything.’ This is why we knew we needed a local partner.”**

– Peter Smitham, Co-founder, Kiawah Trust

As a solution to the lack of in-house resources, many funders recommend finding external vendors and intermediaries that specialize in Capacity Building.



### How the EdelGive Foundation does it:

**“We do a significant number of Capacity Building projects every year, of which 40-50% come from ToolBox; the rest from our employees. We need more organizations like ToolBox that believe the grantee has to be the heart of the solution rather than just giving them a mandate.”**

– Naghma Mulla, COO  
EdelGive Foundation

In its experience working with non-profits, EdelGive realized the need to strengthen organizational capacity. The foundation successfully leveraged the proficiencies of Edelweiss employees by instituting a volunteer model – requiring volunteers to help organizations strengthen their capacity. But the foundation realized that some grantees need higher skill and expertise brought to the table. To that end, EdelGive has partnered with ToolBox India – an intermediary that offers consulting services to non-profits in change process management.

**“ToolBox began its association through a strategic partnership with EdelGive to enhance impact through Capacity Building. The EdelGive-ToolBox partnership has been an exemplar of multi-sector collaborations that can develop an ecosystem with immense value for all.”**

– Vidya Shah, CEO,  
EdelGive Foundation



### How the Packard Foundation does it:

Packard is another great example of using intermediaries to provide Capacity Building. This foundation has gone a step further, creating a list of shared services to which it has mapped intermediaries, providing a knowledge sharing platform for both non-profits and funders. While it does not believe in directly recommending intermediary organizations to grantees, its database of intermediaries is a great resource for grantees to refer to.

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# 3.

## > Problem

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### Building capacity is not a grantee's key priority

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Of the foundations Dasra interviewed, 80% of those that do provide Capacity Building told Dasra that two key concerns for them were

- (a) Grantees' readiness to absorb and utilize funds, and
- (b) Grantees' willingness to prioritize their own Capacity Building activities as much as their program-related activities.

## > Solution

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### The all in / hands-on approach

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One way that foundations are dealing with this challenge is to ensure extensive due diligence before the grant is given, to ensure that they can trust their grantee to prioritize organizational growth. Others believe that foundations need to adopt an "all-in / hands on" relationship with their grantees to hold them accountable to targets.



How the  
Michael & Susan Dell Foundation  
(MSDF) does it:

**"We rarely think of investment in terms of purely investing in a project. We always aim to build a robust, sustainable, top-quality institution."**

– Debasish Mitter, Country Director, India,  
Michael and Susan Dell Foundation

MSDF tackles this challenge with an extensive due diligence process. Once grantee organizations are selected, the foundation works to build partnerships with them. For example, along with funding provided, MSDF sometimes takes a position on the board of its grantee. As part of the board, MSDF (a) Provides thought leadership and guidance, and (b) Makes sure its investment is being put to best use.

MSDF believes partnerships must be struck from the beginning, and tunes its due diligence process to ensure that it picks organizations with which it can successfully partner. This way, it ensures it only takes on grantees that need MSDF's thought leadership just as much as its funding. Once the grant is made, MSDF provides holistic support to strengthen various aspects of the organization, including talent management, systems and operations.



## Capacity Building matters because:

### Being CEO is a lonely job

Being the leader of a non-profit can be incredibly lonely. The CEO has a million demands on his/her/their time, countless people to keep happy, ambitious (if not impossible) goals to achieve, and few resources with which to achieve them.<sup>38</sup> In many cases, non-profits lack strong second-line leadership, creating further separation between employees and the CEO. Given the technical rigors of running an organization – needing knowledge across functions like HR, Legal & Regulatory, Finance and M&E – it is imperative that the CEO have enough support. Capacity Building provides this technical expertise, and trains others in the organization in the skills to support the CEO, while also giving leaders an opportunity to share challenges and concerns, strategize solutions, brainstorm new approaches, and hear about alternative options.

### Funding an institution is key to ensuring programmatic and organizational sustainability

Capacity Building helps create the all-important ‘infrastructure’ that supports and shapes charitable non-profits into forces of good. It is not just about the capacity of a non-profit today. It is an investment into the non-profit’s ability to deliver its mission effectively now – and in the future.<sup>39</sup>

### Overhead rates for non-profits are high

Building organizational infrastructure to ensure sustainability is no mean task, and it needs adequate allocation of funds to overheads. Overhead rates across for-profit industries vary, with the average rate falling around 25% of total expenses. Among service industries— a closer analog to non-profits – none report average overhead rates below 20%. Given the added complexity of the social sector, it is crucial to factor higher overhead rates for the non-profit world.<sup>40</sup> However, the sector is sometimes even constrained by national regulatory frameworks that limit the allocation to overheads for nonprofits.

## How foundations can plug in

“We recognize that the only way we can achieve our mission is if we have strong grantee partners. Because the work we are collectively doing may take many years, and our grantees need to be resilient and effective over time, long-term capacity investments are a key part of our outcome map.”

– Paul Beudet, Associate Director,  
Wilburforce Foundation<sup>41</sup>

Foundations are well placed to break this cycle. A step in the right direction would be to shift focus from costs to outcomes. According to Bridgespan, “Even focusing on approximate or crude indicators (for example, “Are we getting an A or a C on our impact goals?”) is better than looking at cost efficiencies, as focusing only on costs can lead to narrow decisions that undermine program results.”

Some foundations are beginning to incorporate this thinking into their grant-giving. Darren Walker from the Ford Foundation recently committed to dedicating USD 1 billion towards building institutions and networks. He further committed to doubling his overhead rates on project grants from 10% to 20%, to combat what he refers to as “overhead fiction”.<sup>42</sup> Similarly the Weingart Foundation undertook a strategic rethink in 2008, which has made it one of the most ardent advocates of Capacity Building. Now, unrestricted funding forms 60% of its annual grant giving.<sup>43</sup> Many of the foundations that Dasra interacted with also showed evolved attitudes towards Capacity Building.

“Our goal is to create sustainability – focus on creating institutions out of partners. We look to strategically allocate funds to our partners so that a comprehensive range of items can be covered.”

– Mala Subramaniam, CEO,  
Arghyam

## Three good practices in Capacity Building

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1.

Creating Communities  
of Practice can go a long  
way in strengthening grantee  
capacities

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2.

Acknowledging the power  
dynamic and creating  
constant conversation  
enable strong partnerships

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3.

Longer funding cycles and  
creating an exit strategy are  
key to sustainable  
Capacity Building

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# 1.

## Creating Communities of Practice can go a long way in strengthening grantee capacities

Foundations are increasingly turning to peer-based learning and building Communities of Practice as Capacity Building strategies. The benefits of these are:

(a) Grantees are more likely to learn better in peer groups where they have control over the agenda – particularly for sensitive topics like leadership, governance and growth of the organization, and

(b) It is a convenient and effective way for foundations to identify and share best practices across portfolios. Peer learning can take many forms. For example, some peer learning opportunities are funder-designed and mandated. Others are done by the funder at the request of their grantees. Yet others are co-designed by funders and grantees, and some can be created by third party consultants.<sup>44</sup>



### How the Oak Foundation does it:

The Oak Foundation hosts a CEO peer consultation group to share ideas, experiences and challenges. Oak had found that leaders of partner organizations share similar challenges – such as fundraising, juggling multiple funder requirements while staying accountable and credible to those they serve, managing growth and change, staffing – and recognized its ability to connect these leaders to discuss solutions. Adriana Craciun, the foundation’s senior adviser for organizational development and capacity building, says: “This is a very lonely position; these CEOs do not easily find peers with whom they can exchange and advise”. The peers in the group have varying levels of experience and come from different fields of expertise. While the foundation is the convener, it is not the facilitator of the group. “We provide a very high-quality coach to work with the group, which we know is highly efficient for gatherings like this.”<sup>45</sup>

### How the Bill and Melinda Gates Foundation (BMGF) does it:

BMGF believes strongly in the peer learning model to strengthen grantee capacity. An example of that is its USD 3.75 million initiative with Dasra, focused on strengthening BMGF’s network of over 60 sanitation partners in India engaged in Water, Sanitation and Hygiene. This initiative focuses on creating a Community of Practice among its grantees, and connecting them to Capacity Building opportunities, which include workshops and training courses like the Strategic Perspectives in Non-Profit Management, run by Harvard Business School.



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## 2.

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### Acknowledging the power dynamic and creating constant conversation enable strong partnerships

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**“We cannot talk down to our grantees. Also, lessons learnt in short modules (like leadership programs) are not long lasting, which is why we need to create a longer sense of association, to build a strong partnership with our grantees.”**

– Vidya Shah, CEO,  
EdelGive Foundation

Capacity Building needs organizations to adapt to change, and any change causes anxiety. Funders and grantees are more used to issue-based relationships and find it hard to define roles, expectations and boundaries. Acknowledging the power dynamic and ensuring that it does not come in the way of the relationship is key to any successful Capacity Building model. Some of the ways foundations do this are: (a) Allowing grantees to make decisions, but also weighing in during the decision making process, (b) Bringing in other stakeholders – such as intermediaries – to help balance the power, and (c) Creating long-term conversation / engagement with grantees to help build trust.<sup>46</sup>

### How the Global Fund for Community Foundations (GFCF) does it:

GFCF’s staff consciously takes a relationship-building approach from their very early interactions with potential grantees. For example, in one grant process, which focuses on strengthening institutions, there’s a lot of intentional back and forth with prospective grantees upfront through the Letter of Intent and then the application process.

“By the time we’re at the application phase, we’ve discussed different possible funding scenarios, with access to data that they’ve shared in their application,” says Executive Director Jenny Hodgson. “By then, we have a strong sense of how they see the field, and how they see their own capacity, or where they may have blind spots that need discussion. And since we’ve really built the relationship at this point, we can use their data in a constructive way to help them make changes and focus.”<sup>47</sup>





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### 3.

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#### Longer funding cycles and creating an exit strategy are key to sustainable Capacity Building

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The key to Capacity Building is funding the long-term health of the organization. While it is common knowledge that building an organization is far more complex and needs far more time than building a single program, this is not reflected in funding cycles of Capacity Building grants. Having a three-year Capacity Building grant match a three-year program grant does not do justice to the grantee's long-term health. The Clark Foundation is another institution that believes in the value of having long-term relationships with its grantees. "I haven't drawn up an average, but I would guess the typical length of relationship we have with grantees is probably 10-15 years, with some going on more than 50 years," says Doug Bauer, Executive Director at Clark Foundation.<sup>48</sup>

Another key aspect in ensuring sustainability is to design an effective exit strategy, which ensures: (a) The grantee has a strong and well-equipped leadership team that will drive the organization's growth even after the funder's exit, and (b) The grantee has access to a variety of resources, including consultants, intermediaries and its own peer network, that it can leverage after the funder's exit.

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*Chapter 2*

# INNOVATIVE WAYS TO FUND PROGRAMS

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1.  
Financial products used to  
fund social organizations
  2.  
Innovative funding strategies
- 

**This chapter explores:**

- Financial products used to fund social organizations
- Innovative funding strategies



**“Fundamentally, the notion is that there are places where you need non-profits – for example, where markets are broken or don’t function properly, at the absolute base of the pyramid, or where it is a public good – all these are areas where grant funding can have an outsized impact. But there are other segments, such as the lower end of the middle class, or the higher end of the low-income population, where it has been proven that for-profit models can work.”**

**– Roopa Kudva, Partner,  
Omidyar Network**

**“What we have seen in Asia, is an increasing move among foundations from ad hoc grant giving to a more strategic approach. We see foundations evolving from grant making to different forms of giving – making soft loans, even changing their charter to see if they can make equity investments and invest in venture philanthropy funds.”**

**– Naina Subberwal Batra, CEO,  
Asian Venture Philanthropy Network**

Foundations today are increasingly conscious of the need to stretch philanthropic monetary investments further, leading them to reconsider the ways they have always approached philanthropy. With an eye on social impact, foundations have begun pushing themselves to be more creative, finding new ways to structure their grants and considering other funding mechanisms to complement traditional grant-making.

While such innovation is vital, it is also vital that philanthropic institutions not lose sight of the very function of philanthropy. There will always be the need for a strong philanthropic sector to ensure the sustainability of charitable programs and public goods that would not otherwise exist.<sup>49</sup> It is important that the new funding mechanisms and strategies covered below not be seen as replacements for traditional forms of philanthropy, but instead as a complement. By investing in ventures that have the potential to be self-sustaining where possible, for-profit investments create efficiencies, leaving a larger pool of philanthropic dollars available for programs that cannot operate through market-based solutions.

# 1) Financial products used to fund social organizations

Innovation in the social sector has created a wide range of financial products through which philanthropic institutions can invest in both, non-profits and social businesses. While this is not an exhaustive list, below are some of the most popular complements to traditional grant-making.

## Program-Related Investments

Program-Related Investments (PRIs) involve a potential return on capital and sometimes also include a reasonable rate of return. This allows foundations to increase the pool available to the sector, while also creating stronger, financially stable social organizations.<sup>50</sup> It is similarly beneficial for receiving organizations since they can get capital at a rate lower than otherwise available.<sup>51</sup> PRIs can be used within a broader strategy involving both, impact investing and blended finance. They include loans, loan guarantees, linked deposits and equity investments, but are usually used to supplement existing grant programs.<sup>52</sup>



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### 1. LOAN GUARANTEES

These involve foundations acting as guarantor on loans taken by non-profits and social enterprises, allowing organizations to access a much lower rate of interest. However, when the receiving organization is unable to pay back the loan in full, the foundation is held liable for the amount named in the guarantee.<sup>53</sup>

### 2. EQUITY INVESTMENTS

Many foundations are now beginning to change their charters to include social enterprises in their core constituency. This allows them to make equity investments in social enterprises, which transfers some ownership of the organization to the funder, and provides a reasonable rate of return on investments.

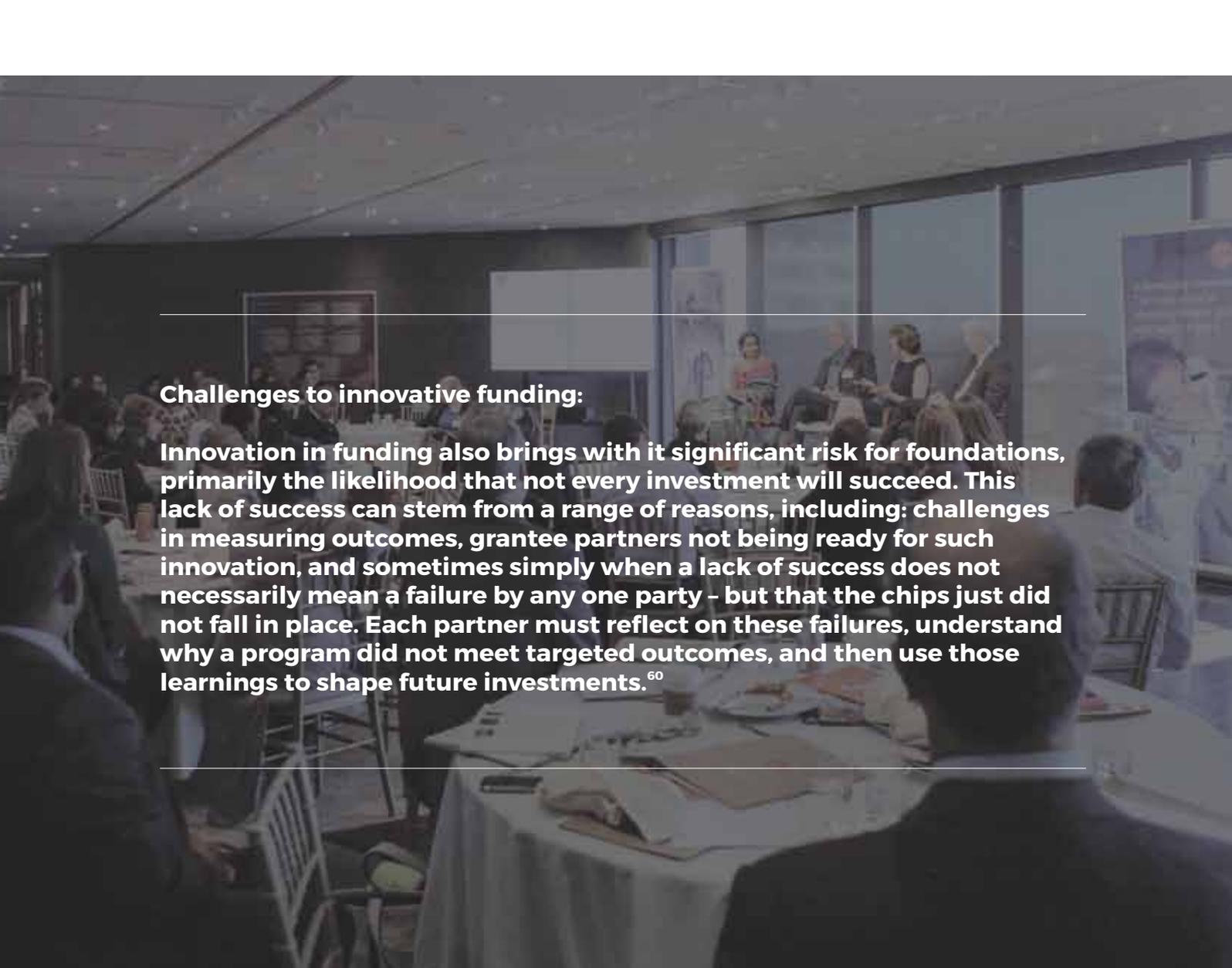
Equity funding can also be combined with grant funding to give the sector a range of financing mechanisms. However, with equity investments, foundations must ensure that social entrepreneurs continue to have a significant stake in the organization, to safeguard against any significant dilution in their leadership and sense of ownership.<sup>54</sup>

### 3. LOANS OR DEBT SECURITIES

Foundations can also offer loans or accept debt securities from non-profits and social enterprises to complement or substitute for equity investments, often at interest rates lower than those of banks and other investors. In some cases, foundations can conditionally forgo interest on the loans – this may be decided based on the impact that a program is able to achieve. This positions the foundation as a partner, instead of transferring ownership to the foundation.<sup>55</sup>

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Note that when it comes to PRIs, there is a great deal of variety in how foundations can combine funding mechanisms to channel funding into their grantee organizations. For example, they can combine debt and equity investments, using equity in the organization as security against a loan. But even with this versatility, there are real challenges around creating capital markets and legal frameworks to optimize such investments for the social sector.<sup>56</sup>



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### Challenges to innovative funding:

**Innovation in funding also brings with it significant risk for foundations, primarily the likelihood that not every investment will succeed. This lack of success can stem from a range of reasons, including: challenges in measuring outcomes, grantee partners not being ready for such innovation, and sometimes simply when a lack of success does not necessarily mean a failure by any one party – but that the chips just did not fall in place. Each partner must reflect on these failures, understand why a program did not meet targeted outcomes, and then use those learnings to shape future investments.<sup>60</sup>**

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### Social Impact Bonds

Also known as Development Impact Bonds, Social Impact Bonds (SIBs) are ‘pay for success’ programs between the government and private actors such as NGOs and philanthropic actors. They aim to reduce government spending in the long term, by having private investors pay for and manage public projects that are aimed at improving social outcomes for vulnerable and at-risk populations.<sup>57</sup>

The main advantage of the SIB is that it allows the government a risk-free way to identify and put its weight behind innovative social programs that could otherwise take years to yield results.<sup>58</sup> Government systems tend to focus on remedial projects, and face immense financial constraints when it comes to investing in scaling innovative programs. SIBs counter this challenge, because impact investors and philanthropic funders take the risk and responsibility for expanding social programs that have shown successful pilots. The government then reimburses private investors if the project achieves its stated objectives.<sup>59</sup>

### Key stakeholders in an SIB are:

An outcome payer, usually a foundation or a government agency that enters into a contract to pay for specific, measurable social outputs and outcomes.

A service provider that works to deliver these outputs and outcomes.

An independent evaluator that assesses the outcomes of the program, and resolves any disputes regarding payment of funds.

## 2) Innovative funding strategies

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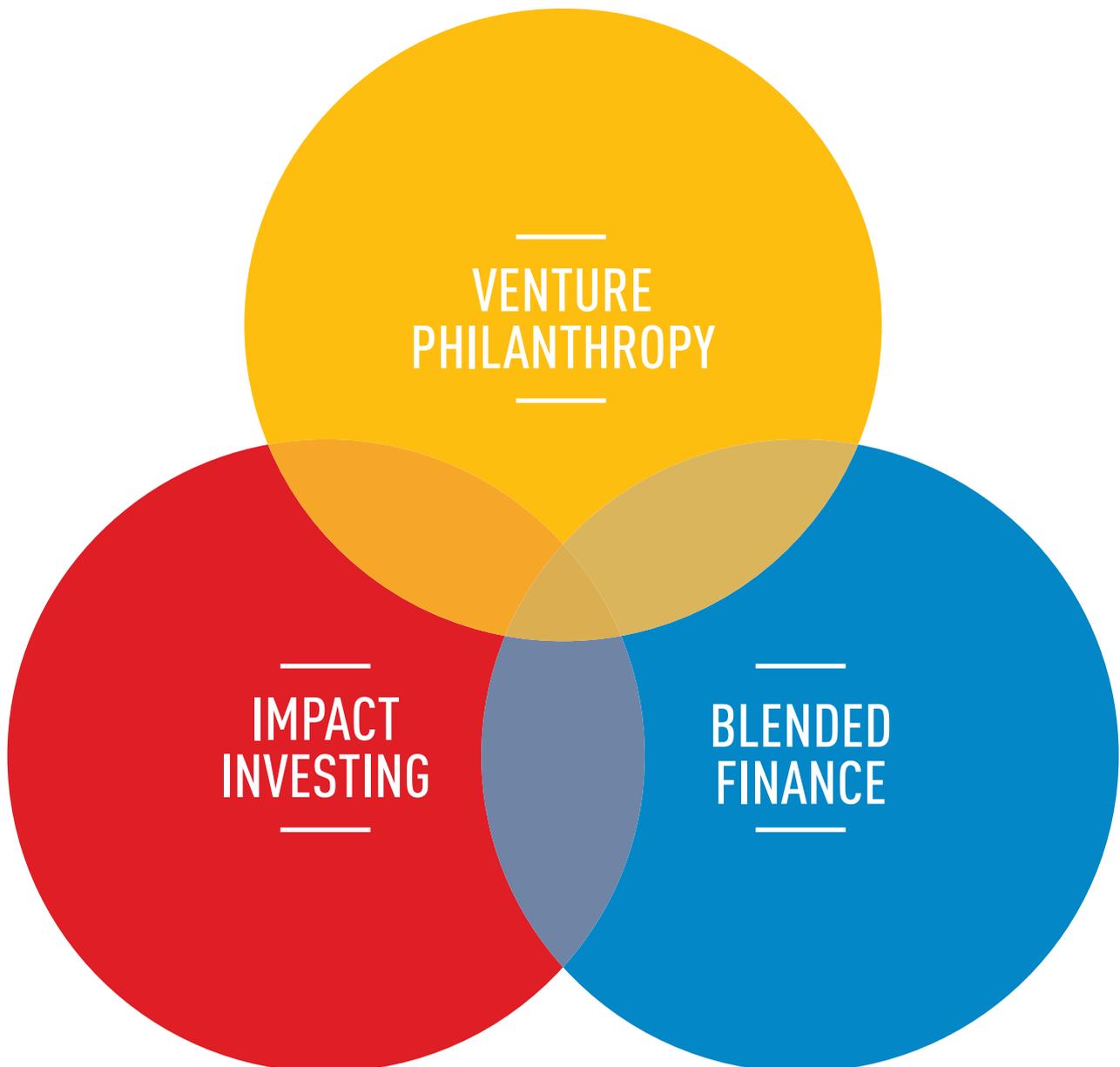
“The funding landscape is changing, especially in the US. The number of young philanthropists is on the rise, and they are transferring knowledge on entrepreneurial ways of managing funding.”

– Clemens Spiess, Program Officer,  
Robert Bosch Stiftung

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**As foundations become more willing to experiment with such funding mechanisms, they have begun to evaluate new strategies and approaches to funding. This new breed of ‘philanthrocapitalists’ is increasingly driving the social sector to adopt characteristics of for-profit capital markets.**

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## VENTURE PHILANTHROPY

“Venture philanthropy is an adventurous approach to funding unpopular causes.”

– John D Rockefeller, 1969 <sup>61</sup>

Venture philanthropy is the adoption of venture capital's tools to promote start-up growth and risk-taking social ventures.<sup>62</sup> Like venture capital, venture philanthropy makes potentially risky bets on organizations with high potential, helping them grow and become financially stable. To do this, venture philanthropists encourage a high level of engagement between themselves and the non-profit or social business they support, often playing an active role in growing the organization.<sup>63</sup>

They often provide non-financial support through services such as strategic planning, marketing and communications, executive coaching, and human resource advice, while also opening their networks to enable organizations to reach other potential funders.<sup>64</sup> Their main focus is on building the operational capacity and long-term viability of the organizations, rather than funding individual projects or programs.<sup>65</sup>

To do this, venture philanthropists often provide substantial, multi-year grants to a limited number of organizations, to help them become financially self-sustaining by the end of the funding period.<sup>66</sup> Venture philanthropy is highly performance-based, placing emphasis on good business planning, measurable outcomes, achievement of milestones, and high levels of financial accountability.<sup>67</sup>

## IMPACT INVESTING

An increasing number of philanthropists are thinking about how all their financial assets can work for the causes they support, including those assets invested in for-profit organizations. Impact investments allow funders to invest in generating a social and environmental impact, while still receiving a financial return.<sup>68</sup> It marries the worlds of philanthropic donations and financial investments, challenging the long-held view that social problems can and should only be addressed through philanthropic giving.<sup>69</sup>

Impact investing has four key characteristics:

- The investor must intend to have a positive social or environmental impact.
- The investment is expected to generate a financial return.
- Such returns may range from below-market rates to risk-adjusted market rates, and can be made across asset classes, including fixed income securities, venture capital and private equity.<sup>70</sup>
- Impact investing is committed to documenting the social and environmental impact of the programs funded.<sup>71</sup>

## BLENDED FINANCE

Blended finance emerges at the intersection of non-profit and for-profit investments that are aimed at social, economic and environmental impact.<sup>72</sup> Blended finance structures encourage public and private investors to join forces, by using public and philanthropic funds to create attractive investment opportunities.<sup>73</sup> They bring together investors with differing risk appetites. Foundations provide risk capital through first-loss protection or loan guarantees, or by providing low-cost financing via low-interest loans.<sup>74,75</sup> This attracts private investors to volatile capital-starved sectors and markets in developing countries.

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**Consider this example from the Harvard Business Review:**

**“Imagine a social enterprise in Africa that needs an investment of USD 100,000 to build new health clinics, and expects the clinics to earn USD 5,000 a year – a return of 5%. Unfortunately, 5% is too low to attract private capital. Traditionally, the enterprise would obtain the USD 100,000 from a charitable foundation instead. But suppose the enterprise asked the donor for only USD 50,000. It could then offer a financial investor a 10% return on the remaining USD 50,000. The donor would receive no repayment – but it would have \$50,000 to give to another socially worthy enterprise.”<sup>76</sup>**

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Richard Samans of the World Economic Forum and Erik Solheim of DAC-OECD say this approach has “wins for private investors, who make an attractive return on their capital; wins for public and philanthropic providers, who make their limited dollars go further; and most importantly, wins for people in developing countries as more funds are channeled in their direction, helping transform economies, societies and lives.”<sup>77</sup>

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*Chapter 3*

# EVOLVING EVALUATION PRACTICES

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This chapter delineates outcome oriented philanthropy in terms of its:  
- Pitfalls - Promises - Practices

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**Increasingly, foundations are seen as moving towards outcome or results-oriented philanthropy, pursuing evidence-based strategies to achieve clearly defined goals, monitoring progress towards outcomes, and assessing their success.**

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“To try and describe a comprehensive mission that cuts across all five of the programs we undertake would be a stretch. But the way we do business is common. There is an outcome-orientation that cuts across all programs. The best way to describe outcome orientation is to think about the responsibility of using the foundation’s assets in a way that makes a real difference.”

– Paul Brest, President,  
Hewlett Foundation <sup>78</sup>

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Some examples of foundations that have employed strategic or outcome-oriented philanthropy include:

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**1.**

Ford and Rockefeller Foundation, both of which funded research and development to improve agricultural production in developing countries, later known as the Green Revolution

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**2.**

MacArthur Foundation, which funded the digital media and learning space, to achieve tangible outcomes in the sector

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**3.**

Acumen Fund and Omidyar Network, both of which use the impact investing approach, geared towards achieving outcomes <sup>79</sup>

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**4.**

Rockefeller Foundation, which uses Social Impact Bonds or pay-for-success models <sup>80</sup>

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**5.**

Bill and Melinda Gates Foundation and Packard Foundation, both of which have included in their M&E, a learning component that emphasizes the need for evidence to inform strategy

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## The value of evidence

A key part of a foundation's outcome orientation is using evidence to inform its policies and programs. While most foundations agree on the need to base their strategy on 'good' evidence, what qualifies as useful evidence and the process of collecting it are constantly debated.

**“The movement to shift public and philanthropic funding to support ‘what works’ has made real gains in the last few years. Government and philanthropy now look to identify high-impact programs that have been tested in rigorous trials and found to deliver superior results.”**

– Daniel Stid, Director,  
Hewlett Foundation<sup>81</sup>

Bernadette Wright, founder of Meaningful Evidence LLC, lists the three approaches that grant makers use to collect and analyze evidence:

- **Registries:** Some foundations rely on registries that contain evidence for interventions, tested with experiments and quasi-experiments. While this approach lists programs or interventions that have worked, it omits details of what part of the program worked and why.
- **Synthesizing existing studies:** This is a slightly more evolved approach that provides data points backed by an explanation. It aims to offer a complete picture of the program / intervention and highlights 'effective levers' to inform decision making. However, finding an existing study on programs that the foundation plans to undertake might be challenging and can drain existing resources.
- **Creating a knowledge map:** This approach looks to create a holistic knowledge map of a program, policy or issue that is searchable and customizable, based on the needs of the stakeholder. The map includes causes, effects and inter-linkages, providing comprehensive information, and serving as strong evidence for grant makers. This approach substantially mitigates errors in evidence-based strategizing, but also involves significant time and cost.

Several foundations are moving towards the knowledge map approach, indicating efforts to strengthen the quality of the evidence that informs policy and program effectiveness.<sup>82</sup>





## Outcome orientation – pitfalls, promises and practices

Despite the increasing trend of foundations transitioning towards an outcome mindset, the sector has seen some inertia in this transition. It is commonly agreed that rigorous collection of evidence drains grantees' resources and sometimes may not even serve as a useful or reliable basis for future strategy. Given the risk of collecting data for the sake of it, it is extremely complex to design M&E systems that influence policies and programs. Below are some of the pitfalls, promises and practices of outcome-oriented philanthropy.

# PITFALLS

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1.  
Pursuing only proven  
programs can stifle  
innovation and the  
risk-taking role  
of foundations

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2.  
External factors that  
drive program outcomes  
and improper recording  
of data can  
distort learnings

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3.  
Some program  
outcomes can be  
short-lived and suffer  
fade-out effects  
with time

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# Foundation Philanthropy in In

Judith Helzner, Harvard School of Public Health

Maggi Alexander, Philanthropic Initiative & M

Cynthia Steele, EMpower

Tanya Jones, Barr Foundation

1.

## Pursuing only proven programs can stifle innovation and the risk-taking role of foundations

“There is a need to make investments that have a little less evidence, or that are a little less likely to pay off – but when they do pay off, they pay off big.”

– Matt Freeman,  
Senior Director of Investment, Girl Effect

“There is an inherent tension in trying to invest in solutions that are both, new and evidence-based. Reducing that tension is not easy, but it is our mandate. My goal is to create a diversified portfolio in the same way you would create a balanced retirement account – allocating investments to a mix of evidence-led, high-performing solutions as well as more innovative, perhaps more nascent ones that show early evidence of being game changers and can be evaluated more rigorously.”

– Michael Smith, Director,  
Social Innovation Fund<sup>83</sup>

One challenge that leaders of foundations continually confront is striking the balance between experimenting with innovative new approaches, and supporting proven programs that come with strong evidence. When foundations focus too much on evidence, and on using it as a basis for including a program in a grantmaker's portfolio, they risk underfunding innovations that can potentially revolutionize a sector.

2.

## External factors that drive program outcomes and improper recording of data can distort learnings

“External factors that have little to do with the program itself – such as varying local poverty and unemployment rates – often drive program outcomes. Such factors make it difficult to know what really caused an outcome, and can lead to inappropriately rewarding or punishing providers for factors beyond their control.”

– Patrick Lester, Director,  
Social Innovation Research Centre<sup>84</sup>

A significant barrier to the use of evidence to inform policy and programs is the influence of factors outside the program's purview on outcomes. This demands an exhaustive study of all factors affecting a program, to avoid assigning undue weightage to the success or failure of a particular program or intervention. But this can be expensive and difficult to achieve. Also intrinsic to the outcome-oriented approach is an excessive focus on achieving outcomes, which can lead to 'window dressing' of results, especially when the stakes are high. Relying on such data to design strategy will be ineffective.



3.

## Some program outcomes can be short-lived and suffer fade-out effects with time

In 2013, the Harvard Kennedy School conducted a study to explore the outcomes of government policy in a growing number of American states that needed schools to “retain students who did not demonstrate basic reading proficiency at the end of third grade”. The study aimed to shed light on whether retention benefits outweighed costs. And it found that while there were positive effects on achievement, the gains from retention fade out over time and are statistically insignificant in six years. The nature and time horizon of impact is important to understand how to design effective programs and interventions. Relying on short-lived outcomes, without understanding the time frame of its impact, has been a common trap that foundations have fallen into.<sup>85</sup>

# PROMISES

1.

Outcome orientation can help a foundation build narratives around its work, increasing focus internally, and making it more compelling externally

2.

Evidence of outcomes can be used to secure government support for initiatives, or advocate effectively for social change

3.

Outcome orientation can be a building block to scale an organization



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# 1.

Outcome orientation can help a foundation build narratives around its work, increasing focus internally, and making it more compelling externally

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Building narratives entails describing whom the organization serves and offering compelling evidence of the distinct value that it provides. This has two benefits:

- Internally, it forces leadership to agree on the organization's strategy and serve as a guide that delineates roles and responsibilities.
- Externally, it makes a powerful case to those that the organization is looking to for support or partnership.<sup>86</sup>

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# 2.

Evidence of outcomes can be used to secure government support for initiatives, or advocate effectively for social change

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**“Very few big social changes happen without some form of advocacy. When these efforts succeed, the results can be transformative. Consider the recent expansion of charter schools or healthcare reform in the United States. Good ideas like these did not catch on widely just because they worked. It happened because of creative investments in public persuasion, legislative action and political activity.”**

- Steven Teles,  
Associate Professor of Political Science,  
Johns Hopkins University<sup>87</sup>

**“We saw that mental health was an important concern, we put together counselling services, and now the government is looking at it. It is our duty to demonstrate potential before the government takes it on. We also need to link our cause with existing government schemes and advocate for these.”**

- Jaya, Program Officer,  
United Nations Population Fund

Over the last decade, more and more foundations have been seeing the importance of advocacy, and putting resources into advocating for policies that they believe in, based on evidence of success. In cases of service delivery this is even easier, as foundations have developed sophisticated tools ranging from controlled experiments, to extracting from experiences of best practices that can be adapted from one successful program to another, to a more malleable form of evaluation based on assessing an initiative's theory of change. Demonstration of success using these tools is key to getting government support on service delivery.<sup>88</sup>

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# 3.

Outcome orientation can be a building block to scale an organization

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**“What you can see with your eyes when you're working in one school, you cannot when you've grown to a couple of thousand schools. That's where strong measurement systems come in.”**

- Safeena Husain, Executive Director,  
Educate Girls, India<sup>89</sup>

Unfortunately, many social organizations approach evaluation primarily as a funder-driven reporting activity. Organizations greatly reduce their odds of demonstrating the success of their work to attract and satisfy funders in the future when they do not build an internal commitment to measure performance effectively and learn what is working and what isn't.

A great example of an organization that makes strategic use of metrics and measurement systems is Educate Girls, a non-profit in India. Educate Girls has successfully developed a model that uses impact assessment as a means to achieve scale.

# PRACTICES

“The idea that philanthropy should seek results may seem so obvious as to make the modifier ‘outcome-oriented’ superfluous. But despite the increasing belief that the work of the sector should rest on goal-oriented, evidence-based strategies, very few donors actually follow these principles.”

– Paul Brest, President,  
Hewlett Foundation<sup>90</sup>

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**Here are some practical examples of foundations with an outcome orientation.**

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# 1.

## William and Flora Hewlett Foundation's outcome-oriented approach to risky ventures

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“Donors who made risky grants – based on forecasts rather than actual results – with high potential benefits may regret the decision if they do not succeed. Indeed, hindsight bias may lead a foundation's board or management to think that its staff should have anticipated that a risky strategy would fail. Without claiming that the Hewlett Foundation's staff and board are entirely immune to this pervasive psychological bias, we try to learn from our failures as well as celebrate successes, reminding ourselves that taking appropriate risks may be philanthropy's highest calling.”

– Paul Brest, President, Hewlett Foundation<sup>91</sup>

William and Flora Hewlett Foundation (WFHF) follows what it calls ‘Outcome-Focused Grant making’<sup>92</sup> or the OFG framework, in deciding which initiatives to fund. This framework helps the Foundation describe its goals and values clearly, make assumptions transparent, and test hypotheses. It calls for methodically estimating the social return on investment, accounting for the inherent risk of alternative strategies, and providing continuous feedback and rigorous strategy adaptation as plans are carried forward.

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# 2.

## Sustainable Development Goals Philanthropy Platform's creation of a common dashboard of indicators

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“With SDGfunders.org, we have a real opportunity to start the SDG process with strong baseline data, track investments from philanthropy and the global community, and take on the challenge of measuring true progress.”

– Bradford K Smith, President, Foundation Center, Hewlett Foundation

The SDG Philanthropy Platform is led by the United Nations Development Programme, Foundation Center, and Rockefeller Philanthropy Advisors, with funding support from MasterCard, Ford and Conrad N Hilton Foundations, among others. The Platform connects local and international organizations with ongoing development programs, and works on collaboration at two levels:

- At the global level, it connects philanthropy to worldwide development resources, ensures that funders are included in the development of policy agenda, and facilitates partnerships among foundations, governments, the UN, the private sector, and other civil society organizations.
- At a national level, it has begun work in Kenya, Colombia,

Indonesia, and Ghana, with plans to expand to additional countries in the coming years.

The platform has also launched SDGfunders.org, a website designed by the SDG Philanthropy Platform. The website offers interactive maps and a dashboard of indicators displaying philanthropic activity related to the MDGs (from 2001 to 2015) and, from 2016 onwards, the SDGs and other issues important in the post-2015 period. Data is sourced from the grant catalogue that Foundation Center currently maintains.

Going forward, this is expected to be complemented by interactive charts, graphs and visual maps displaying donor and recipient data. Supplemented with official aid figures, these visualizations will help grantmakers easily identify specific areas where funding is robust, and where it is not. It also lists the top funders and recipients working on specific SDGs, and provides access to a collection of literature, including case studies and interviews with global experts.<sup>95</sup>

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Chapter 4

# WORKING WITH THE GOVERNMENT

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“Working with the government is a must – if we need to scale, particularly to create impact in sectors like education, health and sanitation.”

– Senior Program Officer of an International Foundation\*

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“Today, there may be no idea with greater currency in the social sector than ‘scaling what works.’”

– Jeffrey Bradach, Co-Founder and Managing Partner,  
Bridgespan Group

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**This chapter looks at:**

- How foundations work with the government

- Challenges in working with the government

- The way forward

And crucial to scaling social impact is working closely with the government.

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## CASE STUDY

### BRAC, Bangladesh

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Consider the story of BRAC, an international development organization based in Bangladesh.

BRAC began as an isolated, small-scale relief effort in a remote part of Bangladesh – to help return war refugees after the Bangladesh Liberation War of 1971, and has grown into one of the largest non-profits in the world, touching the lives of an estimated 135 million people. An inspiring story of transformative scale, BRAC has pursued two main paths to magnify its impact:

- Directly multiply what works, balancing scale and localism.
- Scale through partnerships with the government.

One example of BRAC partnering with the government is its rural tuberculosis (TB) program:

- In the early 1980s, BRAC identified TB as a leading cause of mortality among adults, and began a community-based program to recognize and treat it.
  - By 1994, the program covered a population of 2.7 million people. The same year, BRAC decided that it needed government support to scale the project, and partnered with the National Tuberculosis Control Program.
  - By 1995, BRAC's coverage increased to 14.6 million people. The government then partnered with another five non-profits, to provide care in an additional 126 upazilas (sub-districts), covering nearly half the population of Bangladesh.<sup>94</sup>
- 

This is one of many instances of the government taking social innovation to scale. Another example is the Ananya program in Bihar, India, a partnership between the Bill and Melinda Gates Foundation and the Bihar government. The program aims to significantly reduce maternal and infant mortality.<sup>95</sup> Yet another is the partnership between the New Hampshire Charitable Foundation and the New Hampshire Department of Energy and Planning, which aimed to protect land in the state.<sup>96</sup>

Across all its research in this area, Dasra has found that working in close collaboration with the government is crucial to creating large-scale systemic change.

\* Name withheld on request

## Knowing where the foundation fits

Foundations vary in terms of the amount of interaction they have with the government, depending on their strategy and the structure of their portfolio. It is crucial for foundations to identify their niche, in order to determine the resources that any collaboration with the government will require. Which brings us to:

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### The foundation-government collaboration matrix

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Anand Sinha of Packard Foundation says, “Talking about the government, I think about it (working with the government) as a spectrum of innovation to scale on one axis, and accountability, quality to impact and results on the other axis. It depends on where you want to be on both these scales that dictate how close you need to be to the government. If you want results and scale then it tends to make you want to sit at the table with the government. If you want Innovation and accountability and softer aspects like dignity then it keeps you away from the government. Some organizations say that with their portfolio they occupy all quadrants but they don't. It is usually one way or the other.”

## How foundations work with the government

### Through partners

Several foundations have said the first step to collaborating with the government is asking around. A foundation looking to understand a field or decide who to approach in government can do it through three types of partners:

- Its grantees who have experience working with the government
- Individuals who work with the government
- Colleagues at other foundations who have established relationships in government

Some foundations hire consultants to scan the policy and political environment in a particular jurisdiction and identify potential partners and opportunities.<sup>97</sup> A staff member of a European foundation says, “In Europe, we have direct contact and there is no problem in working with governments. In other geographies, our counterparts in other foundations lead us to government agencies and representatives.”

### By showing a proof of concept

“The ability to convince the government depends on whether you can show success on the ground,” says an experienced staff member of a Foundation. The prevailing opinion is that risk capital is something foundations are particularly geared for, given their relatively more flexible governance structures and their different calculation of institutional risk. In most cases, the government steps in after a pilot has been shown as successful, and then helps take it to scale. Says Luis Ubinas of the Ford Foundation, “Philanthropy’s resources are modest compared to the complex problems we seek to solve. So foundations must act strategically – providing ‘risk capital’ to test ideas and demonstrate new solutions that can be taken to scale through partnerships with government and business.”<sup>98</sup>

### By aligning priorities

**“Earlier, foundations used to identify their own area of focus, ignoring where the government is going. Now, foundations are looking to work more in areas that government policy focuses on, and strengthen momentum in those focus areas.”**

– Anand Sinha, Country Advisor, India, David and Lucille Packard Foundation

Many of the foundations Dasra interviewed emphasized the need to align foundation priorities with those of the government’s. Today, foundations are very aware of what the government wants to achieve. If a donor is seen as supporting the government in achieving its primary goals, then working with the government naturally becomes easier. However, foundations also expressed the view that there is a risk of being too close to the government, as a foundation’s independence is its asset.

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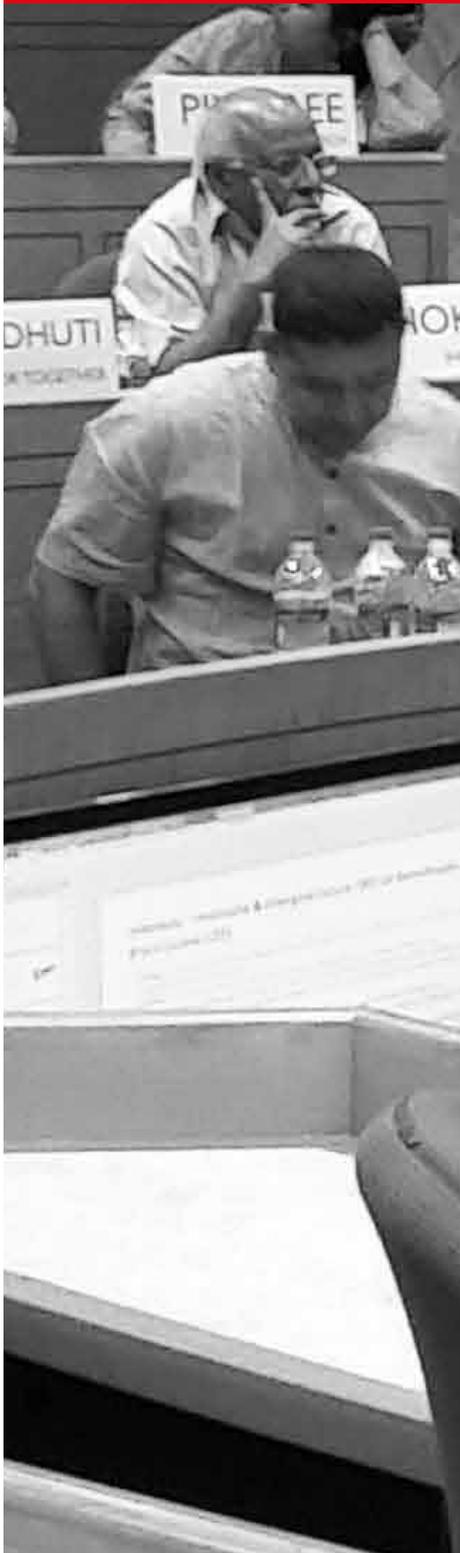
## CASE STUDY

### MacArthur Foundation in Mexico



By endorsing the Millennium Development Goals (MDGs), the Mexican government committed to reducing maternal mortality significantly by 2015, aiming to bring down the maternal mortality ratio to 22.3 from 41.0 in 2008. In line with government priorities, the MacArthur Foundation invested USD 5 million towards this goal. Its target was to reduce maternal deaths by 10% from 1999 figures. A core strategy of the foundation was to develop mechanisms that link civil society organizations to government institutions, particularly health-related ministries. Actively aligning foundation priority with government priority, MacArthur was able to scale up its program, achieving a 13% decline in maternal deaths.<sup>99</sup>

# Challenges of working with the government



## 1.

Foundations see government collaborations as long-term partnerships, but transfers or elections can change government priorities

Foundations need to keep in mind that their government partners are not in their positions over the long-term, and that transfers or elections can strain even the best collaborations. Foundations have long known that working with government means that one has to be prepared for complications, including transfers and changes of roles. The “succession problem” can greatly hinder projects that cannot be accomplished in a shorter period of time.<sup>100</sup> One way to try to mitigate this risk is to take steps to ensure that reforms created are embedded into policy, which can subsist no matter which administration is in power.

## 2.

Foundations look to have buy-in at the top, which is hard to achieve

**“The only way to work with the government is to forge a relationship right at the senior most leadership level – we do not even start any work anymore involving Government systems unless we see buy-in right at the top.”**

– Debasish Mitter, Country Director, India, Michael and Susan Dell Foundation

While seeking partnerships, foundations often look for champions – government officials willing to go beyond the boundaries and see the promise of collaboration. Specifically, foundations find it most beneficial to have champions at the top of the government agency, who understand why a certain reform is important. Champions at the top help ensure implementation is carried through until the end; they also inform foundations of ‘opportune moments’ that create openings for change.



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### 3.

Gaining the government's trust can be a challenging and time consuming process

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A foundation officer says, "There is a trust deficit between the government and the social sector - the government is usually skeptical about the motivation of funders and asks for a strong proof of concept before seeing merits in collaborating". Building trust with the government can be a long and arduous process involving the demonstration of a proof of concept, and being aware of government priorities and understanding how the foundation can contribute to achieving them.

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### 4.

Working with the government and representing community interests can sometimes be conflicting

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Several foundations that have worked closely with the government face this conundrum: How do we work with government but also work on issues of accountability and governance - on the one hand sit at the table, and on the other sit away from the table, ensuring the government delivers?

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### 5.

Differences between the realities of foundations and government

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There exist differences between the realities of foundations and their government counterparts.

For example:

- An initiative might be top priority for a foundation, but it will be one of numerous responsibilities for a government agency.
- Foundations can be selective about what they want to work on, but the government does not have much flexibility on its priorities.
- Foundations also have a certain amount of flexibility with their time lines, but the government has annual budget cycles to adhere to.<sup>101</sup>

## The way forward

# 1.

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Foundations need to have a common voice that represents the sector to the government

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“Sometimes, foundations approach the government with competing agendas which is debilitating for the government and the philanthropic sector. There is a need to align agendas and find a single voice before advocating with the government, keeping in mind ways to link it with existing government schemes.”

– Anand Sinha, Country Advisor, India,  
David and Lucille Packard Foundation

Through Dasra’s interactions with several heads of international foundations, the one common response to the question, “What could foundations do better to improve collaboration with the government?” was “Develop a common voice”.

The government has several priorities of its own, and tends to lack the time and capacity to deal with competing requests from different foundations.

# 2.

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Backbone organizations can help run strategy and implementation of foundation - government collaborations

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Backbone organizations such as intermediaries and consultancies play a key role in improving social outcomes, by organizing cross-sector groups of partners to transform a fragmented system. At the state level, backbone organizations that have extensive knowledge of best practices and outcomes can pitch these to the government, to advance policy.

Although in its early stages, the use of backbone organizations to complement foundation-government collaborations has proven to be successful. Take the case of the Michael and Susan Dell Foundation (MSDF) in Haryana. The foundation partnered with the Haryana government to support its state-wide school Quality Improvement Program, aimed to impact 1.6 million children from government primary and middle schools across the state. In the course of this, MSDF committed to funding Boston Consulting Group (BCG) over a three-year period to support implementation and scale-up of the project.<sup>102</sup>

“While a systemic transformation approach to education is new to India, we are already seeing benefits, and more notably, a substantial improvement in children’s learning levels in one such project led by the Haryana government. It is very exciting to see multiple stakeholders come together and brainstorm around how thousands of schools in India could benefit from this approach.”

– Debasish Mitter, Country Director, India,  
Michael and Susan Dell Foundation

BCG is also building its own capacity to take on more such collaborations. Says Seema Bansal, Director of BCG's Social Impact, "There is no dearth of impactful innovations aimed at improving quality of education. We need to think about working together in ways that we haven't done before, to quickly start making a difference at scale."<sup>103</sup>



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*Chapter 5*

# COLLABORATION AMONG FOUNDATIONS

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**“Different foundations bring different resources and competencies to the table. We need to look at collaboration strategically, beyond co-investing, beyond internal debate circles to create joint responsibility and pooling of monetary resources, exchange of success and failure – and what roles intermediaries can play.”**

**– Clemens Spiess, Program Officer  
Robert Bosch Stiftung**

**This chapter puts forth:**

- The need for collaboration**
- Challenges to collaboration**
- What it takes to collaborate effectively**



When foundations aim for scale, working alone is simply not an option. Collaborations can take the form of partnerships between foundations, between foundations and government, between foundations and corporates, or foundations fostering alliances among grantee organizations. But whichever form collaboration takes, development sector funders agree that collaboration is vital to achieve transformative scale.<sup>104</sup> They reiterate that successful collaborations have value that goes well beyond the coming together of immense financial resources – extending to foundations’ immense experience, expertise and credibility on the ground.<sup>105,106</sup>

**“We collaborate a lot with other funders – especially institutions like MacArthur Foundation, Gates Foundation, Ford Foundation, USAID etc., who have a lot of experience in maternal and child health. This is valuable not only because of the resources they bring to the table, but also because of the credibility they have among non-profits and the government, and in terms of the voice that gets lent to the issue when large, reputed foundations come together to work on it. We need people’s voices far more than their money, even though the money helps.”**

– Anand Sinha, Country Advisor, India,  
David and Lucille Packard Foundation

The work of foundations happens at many different depths of engagement.

For example, at one end of the spectrum, representing a structured and formalized engagement, the OECD Development Center and the SDG Philanthropy Platform are working together to coordinate a coalition of philanthropic organizations. They aim to facilitate a convergence around common global agendas and frameworks, namely the Sustainable Development Goals (SDGs). The Network of Foundations Working for Development (NetFWD) works to encourage dialogue and partnership among funders.<sup>107</sup>

Yet, interviews by Dasra revealed that informal interactions were much more common. Many foundations actively exchange information on funding trends and new programs, in a type of informal collaboration that allows their leadership to keep up with changing trends. Very often, it is through these informal conversations that the strongest collaborations ultimately emerge.

**“Don’t underestimate the power of a cup of coffee between the right people. Collaboration is a feature of all of us working in the same sector and facing the same roadblocks, and trying to solve common problems, so we talk about them informally – that is how it starts.”**

– Debasish Mitter, Country Director, India,  
Michael and Susan Dell Foundation

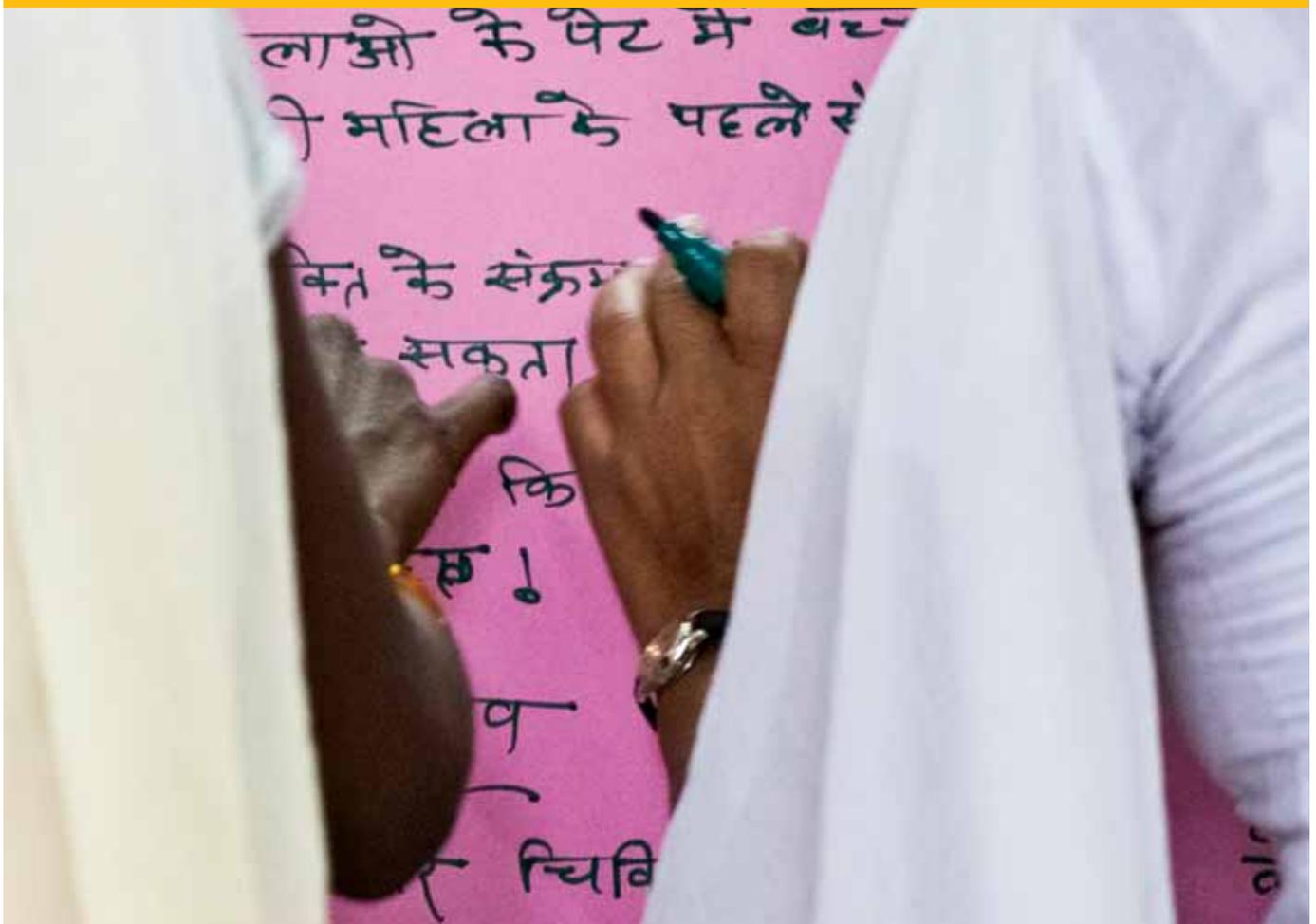
## The need for collaboration

“I don’t think strategic collaboration exists currently. When I say strategic, I mean avoiding duplication of resources, sharing material, and so forth. It’s one thing to say, ‘Oh, I have the information on my website, so anyone can use it.’ But that doesn’t really serve the whole purpose. There is a need to develop a more active collaboration agenda to avoid reinventing the wheel. It is also important to drive standards – for example, standards of reporting. Driving standards is a big component of building greater trust and professionalization in the sector.”

– Roopa Kudva, Partner, Omidyar Network

In Dasra’s interviews, while all foundation leaders agreed that the nature of collaborations needs to be problem-driven with room for customization, two clear advantages emerged. Collaboration among foundations allows partners to:

- **Avoid reinventing the wheel:** When foundations work together to share resources and strategies, it allows them to leverage off each other’s work, avoiding a duplication of effort and resources.
- **Pool resources:** Each collaboration partner brings something valuable to the table, beyond their funding capacity. For example, an international foundation can bring a global perspective and facilitate cross-regional learnings. A national, single-country focused foundation can supplement that with deep cultural context, credibility among local institutions, and well developed in-country resources. Additionally, institutions coming together to align strategies can collectively lend their voices to an issue, which can be vital in securing the support of external stakeholders like government and the corporate sector.





## Challenges to Collaboration

Dasra's research revealed a few distinct challenges that can hinder the creation of formalized collaborations among foundations:

- Formalizing collaborations is difficult without key decision makers at the table. Mobilizing these different decision-makers is often made difficult by the many different structures of global foundations. Additionally, sustaining collaboration depends on strong leadership that is invested in the vision and mission of the partnership. Formalized collaborations can lead to a reduced sense of ownership of the project for each partner.
- Each partner in a collaboration comes with their own agendas and priorities. Aligning these can sometimes be difficult.
- Collaboration can sometimes be counterproductive, if it results in creating a homogeneity of ideas. It works more efficiently when a variety of stakeholders take on a problem with different kinds of approaches.
- In many parts of the world, the regulatory framework that limits the scope of work of foundations can hinder effective collaboration with red tape.

Yet despite these challenges, most of the foundations Dasra spoke with were positive about the value of collaboration and described what makes it successful from their perspective.

\* Name withheld on request

## What does it take to collaborate effectively?

### Compromise is essential

**“Because we are coming together to solve a particular problem, we leave our individual ideology at the door and learn to collaborate.”**

– Debasish Mitter, Country Director, India, Michael and Susan Dell Foundation

When it comes to collaboration among foundations, each partner comes to the table with different priorities driven by their own mission statements and mandates. However, when foundations come to the table, they must be willing to compromise to achieve a common goal that is larger than themselves.

### Collaboration should be issue-driven

**“You need a problem or a vision that is large enough for stakeholders to come together around, to overcome the difficulties of forging a successful partnership.”**

– Head of an Indian Corporate Foundation\*

The purpose of a collaboration among foundations must be clearly outlined, and it is important to get it context right: to make sure a partnership is the best way to achieve specific goals, to bring together the relevant set of partners to meet those goals and to define clear and measurable markers for success. Most importantly, successful collaborations work to achieve a vision where the whole is larger than the sum of its parts.

### Collaboration needs a neutral party to act as an anchor

**“Critical for large-scale government partnerships is a backbone organization to develop and lead the strategy. You have to have a separate entity that will run the alliance. Distinguishing the organization that will finally run the collaboration, from the other individual collaborators is important.”**

– Debasish Mitter, Country Director, India, Michael and Susan Dell Foundation

The role of a facilitator is vital. Each partner at the table comes with a different agenda and priorities. A neutral facilitator in charge of running the alliance has the ability to rally everyone around a common goal, while keeping everyone's best interests at heart.



# IN CONCLUSION

The sections of this whitepaper have outlined the top five priority areas for foundations moving forward. There appears to be a global consensus that foundations have a key role to play in achieving the development agenda of the coming decades.

Outlining key trends aims to provide us with a clearer understanding of how these influential actors can work together more effectively and punch well above their weight when it comes to achieving the ambitious targets the world has set itself.

While the sections do have a few areas of overlap, they deal with distinct areas of engagement to merit being written as distinct compartments. An example that brings all the sections together is – foundations have great potential to work together in any or all of these four areas: building grantee capacity, monitoring and evaluation, exploring innovative ways of funding, and developing a common agenda with which to approach the government

While recognizing that the foundation sector as a whole is at different stages of evolution in each of these areas, this whitepaper by Dasra aims to serve as a guide to understand and highlight ways foundations can move forward together. And this is just a starting point.

There is a need for more research in all areas covered in this whitepaper, particularly in highlighting key successes and failures, to allow them to be used to inform the future strategy of the foundation sector. But one observation is very clear – in order to fully maximize the strengths and resources of foundations globally, to address some of societies most significant challenges, it is vital to encourage and include diverse voices from government and civil organizations around the world to contribute to an ongoing conversation that will hopefully lead to successful collaborations, solutions and successes.

## Acknowledgements

This paper draws upon insights from interviews with several experts, and from the proceedings of the International Foundations Dialogue Forum for Greater Impact held in Mumbai on the 4th of March, 2016. Dasra would like to thank all individuals who have made invaluable contributions to this research. In particular:

### Participants at the Roundtable:

NAME OF THE PARTICIPANT	FOUNDATION
Amitabh Behar	National Foundation for India
Anand Sinha	The David and Lucile Packard Foundation
Clemens Spiess	Robert Bosch Stiftung
Debasish Mitter	Michael & Susan Dell Foundation
Dipa Nag Chowdhury	MacArthur Foundation
Divyang Waghela	Tata Trusts
Govind Shivkumar	LGT Venture Philanthropy
Jayamala Subramaniam	Arghyam
Lauren Bradford	Foundation Center
Madhu Krishna	Bill & Melinda Gates Foundation
Matt Freeman	The Girl Effect
Moutushi Sengupta	MacArthur Foundation
Naina Subberwal Batra	AVPN
Nisha Agrawal	Oxfam India
Poonam Muttreja	Population Foundation Of India
Rohit Menezes	The Bridgespan Group
Susanne Grossmann	Dalyan Foundation
Tasqeen Macchiwalla	Azim Premji Philanthropy Initiatives
R. Venkat	Tata Trusts
Vidya Shah	EdelGive Foundation
Xerxes Sidhwa	USAID

Expert Interviewees:

<b>NAME OF THE PARTICIPANT</b>	<b>FOUNDATION</b>
Amitabh Behar	National Foundation for India
Anand Sinha	David and Lucile Packard Foundation
Anurag Behar	Azim Premji Foundation
Clemens Spiess	Robert Bosch Stiftung
Debasish Mitter	Michael and Susan Dell Foundation
Dipa Nag Chowdhury	MacArthur Foundation
Hisham Mandol	Children's Investment Fund Foundation
Jayamala Subramaniam	Arghyam
Lauren Bradford	Foundation Center
Laurence Lien	Lien Foundation
Lynne Smitham	Kiawah Trust
Madhu Krishna	Bill and Melinda Gates Foundation
C.V. Madhukar	Omidyar Network
Matthew Freeman	The Girl Effect
Naghma Mulla	EdelGive Foundation
Naina Subberwal Batra	AVPN
Neha Bharadwaj	Bank of America
Nisha Agrawal	Oxfam India
Paresh S Parasnis	Piramal Foundation
Paromita Chowdhury	Oak Foundation
Peter Smitham	Kiawah Trust
Priya Patel	The Girl Effect
Oliver Karius	LGT Venture Philanthropy
Radhika Prabhu	U.S. Department of State
Roopa Kudva	Omidyar Network
Susanne Grossmann	Dalyan Foundation
A. Swaminathan	Azim Premji Philanthropy Initiative
R. Venkataramanan	Tata Trusts
Vidya Shah	EdelGive Foundation

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