

THEMATIC RESEARCH

No strings attached? Making sense of flexible financing in philanthropy



OECD CENTRE ON PHILANTHROPY
Data and analysis for development

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No strings attached?

Making sense of flexible financing in philanthropy

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Foreword

This report is part of the OECD Centre on Philanthropy's thematic research programme, which aims to show how philanthropy contributes to specific dimensions of development across the world. It offers actionable recommendations and lessons learnt from multiple organisations.

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Executive summary

Increasingly, philanthropic donors are moving from supporting specific projects to providing untied general support to their grantees. In response to the shift, this report sheds light on flexible financing – the practice of providing grantees unearmarked funding. It examines “trust-based philanthropy” to better understand both advocacy for, and scepticism towards, this approach. In so doing, it highlights the need for an empirical understanding of financing practices in philanthropy.

The report focuses on one form of flexible financing: core budget support. It assesses the advantages and disadvantages of this approach for both philanthropic funders and grantees. To that end, it explores both the dynamics of grant-making as a contract and the implications of flexible funding on different types of grantees.

Research is based on evidence from the OECD database on *Private Philanthropy for Development*. It looks at flexible funding from more than 180 private philanthropic donors from 32 countries, and historical yearly giving from 20 large foundations. Based on these data, it analyses the factors that influence philanthropic financing, using Bayesian statistics.

Findings

- Flexible financing is infrequent, representing around 16% of all philanthropic donations, or 19% of all funding between 2016-19. Most philanthropic donors adopt targeted, project-specific approaches to grant-making.
- Non-governmental organisations, particularly those headquartered in low-income countries, emerged as the most likely beneficiaries of general support. This could be attributed to their financial constraints, their close ties to philanthropic donors and their proximity to on-the-ground operations. Multilateral institutions and universities, on the other hand, show a low likelihood of receiving such donations. The large-scale, structured nature of their operations and the presence of multiple philanthropic donors with specific agendas likely contribute to this result.
- The analysis identifies differences in the probability of flexible funding across sectors. Organisations supporting the energy sector, as well as those supporting civil society, were more likely to attract general support and donations from philanthropy. The health and environment sectors, which tend to operate with more constrained funding, received less general support. The funding strategies of philanthropic donors may be considering the characteristics, needs and uncertainties associated with each development sector.
- Recently, a few large US-based foundations have moved towards more flexible giving, while most continue to operate through earmarked funding. Based on historical data from 20 large international philanthropic donors, the report identifies a recent upward trend towards more flexible giving, peaking at 20% of yearly giving in 2021 on average. The trend is driven by a few organisations that have increased the proportion of general support in their annual funding. Flexible financing among large philanthropic donors went from about 5% to 20% between 2000 and 2021. There was large

variability across time and philanthropic donors: from those that do not provide any flexible financing to those that devote most of their funding to general support. In 2021, for example, the Ford Foundation provided 80% of its grants as general support.

- The report identifies types of flexible donors. Some philanthropic donors predominately work through earmarked grants, while others occasionally provide flexible funding. Interestingly, a few organisations like the Ford Foundation, Oak Foundation, and William and Flora Hewlett Foundation, have drastically shifted their giving towards more flexibility in recent years. Furthermore, philanthropic donors with larger budgets and a larger pool of grantees are associated with a smaller flexible portfolio on average.

Recommendations for philanthropic donors

- Assess the balance between flexible and earmarked funding in a philanthropic donor's entire portfolio to ensure it best suits its objectives and those of the grantees.
- Consider the compliance costs and administrative burden of grant agreements and reporting requirements.
- Evaluate how commitments to flexible funding may influence the types of organisations that receive support.
- Ensure transparency in the use of funds provided to re-granters, including intermediary funds.
- For future research, look in depth at characteristics of grantees, extending the analysis of flexible funding portfolios to other organisations, and investigating the long-term impact of the COVID-19 pandemic on philanthropic funding strategies towards more or less flexibility.

1 Introduction

Traditional philanthropic financing works through a top-down framework in which philanthropic donors dictate the terms and priorities of their support to grantees. Yet many grantees and philanthropic donors, particularly in the United States, have recently advocated for a shift to “trust-based philanthropy”. This term, coined in 2014 by the Whitman Institute, refers to “an approach to giving that addresses the inherent power imbalances between funders, nonprofits, and the communities they serve [...] On a practical level, this *includes multi-year unrestricted giving*, streamlined applications and reporting” (emphasis added) (The Whitman Institute, 2022^[1]; Trust-Based Philanthropy Project, 2022, p. 1^[2]).

The Whitman Foundation went on to co-found the Trust-Based Philanthropy Project in 2020, in partnership with the Robert Sterling Clark Foundation and the Headwaters Foundation (all US-based). This peer-to-peer funder initiative has defined a set of grant-making practices for philanthropic donors to engage in trust-based giving. The first practice: providing multi-year, unrestricted funding to grantees (Trust-Based Philanthropy Project, 2022^[2]).

More recently, some of the largest philanthropic donors have pledged to increase their flexible funding, particularly since the outbreak of the COVID-19 pandemic. In 2020, for example, the Ford Foundation led a joint commitment in which philanthropic donors pledged to reduce grant restrictions and increase flexible giving. This pledge received over 800 signatories (Council on Foundations, 2020^[3]).

Others have expressed scepticism towards this approach, questioning its feasibility, scope of applicability and effectiveness. In 2022, Simon Sommer, Co-Chief Executive Officer of the Switzerland-based Jacobs Foundation, criticised the trust-based philanthropy movement as misleading and US-centric. He argued it perpetuated inequalities in giving and channelling funds to a few favoured organisations (Sommer, 2022^[4]). He pointed out that trust-based philanthropists, in fact, rely on the due diligence performed by other foundations and consultants. For example, the unprecedentedly large unrestricted grants given by Mackenzie Scott through her foundation Yield Giving “would not have been possible without the knowledge developed and shared by other funders with specialized expertise” (Levine, 2021^[5]).

Furthermore, the methodology for providing grants may need to be tailored to the needs of individual recipients. Advocates of trust-based philanthropy focus on the importance of unrestricted grant-making for grassroots non-governmental organisations. However, foundations’ grantees encompass a broad range of organisation types – from small non-profits to large international organisations such as the Gavi (the Vaccine Alliance) or The Global Fund. Given that grantees have different sizes, legal structures, focus areas, geographies and internal structures, the grant-making methodology appropriate for one grantee may not be optimal for another.

Such a context is vital to understand financing flexibility. Who gives flexible financing? Who receives it? What factors influence a foundation’s choice to tighten or loosen control over the grants it provides?

This report delves into the nuanced dynamics of philanthropic funding approaches. It draws on the OECD *Private Philanthropy for Development* database and on publicly available grant portfolios of large foundations to shed light on the factors influencing philanthropists’ choices across these funding paradigms. In so doing, it offers insights into the motivations, benefits and potential challenges associated with each approach.

2 Framing flexible financing in philanthropy

What is flexible financing?

“Trust-based philanthropy” and “flexible financing” can encompass a range of financing types, but this report focuses on core budget support – the most fully flexible form. It then uses the terms “flexible financing” and “general budget support” interchangeably. Thus, flexible financing is considered any financing from a philanthropic donor, in the form of a grant or other instrument, that is not earmarked. In OECD terminology, “an earmarked grant is a grant that is given under the condition that it can only be used for a specific purpose” (Bergvall et al., 2006, p. 116^[6]).¹ Thus, flexible financing occurs when philanthropic donors offer grants without imposing restrictions or mandates regarding use of funds.

Funding modalities have further consequences for grantees in terms of compliance costs, administrative burden and reporting requirements, as well as project implementation:

- By providing general budget support, philanthropic donors offer grantees more flexibility to adapt their strategies and use funds in ways that best align with their expertise, their overall project portfolio and the evolving needs of their beneficiaries.
- In contrast, foundations providing restricted or earmarked financing seek to exercise greater control over the use of their resources, ensuring they are directed towards pre-determined objectives and outcomes. This approach aims to enhance alignment between philanthropic donor intent and grantee implementation, minimising potential deviations from envisioned goals. Restricted financing provides clear expectations and accountability. However, it could limit an organisation's flexibility to adapt to changing circumstances or seize opportunities that might arise during a project.

Even though this report focuses general budget support, it would be more accurate to describe flexible financing within a wider spectrum. For instance, the flexibility of earmarked grants can depend on their degree of specificity. A grant to the education sector in general or to a broad geographic region, for example, offers much more flexibility than one restricted to a singular project, such as building a fixed number of schools in a specific set of cities. Through **thematic funds**, philanthropic donors can ensure their funding goes towards their goals without imposing project-level earmarking. The International Federation of Red Cross and Red Crescent Societies uses **pooled thematic funds** – which it calls “the most flexible type of funding after unearmarked” – to direct and reallocate funds to where they are most needed while still working towards the outcomes supported by their philanthropic donors (IFRC, 2018^[7]).

¹ Similarly, in the Development Assistance Committee's Statistical Reporting Directives for official development assistance, contributions to multilateral organisations must be considered as earmarked if the donor country maintains control over the recipient, purpose, amount or loan conditions of the funds to be regranted or lent by the multilateral organisation (OECD, 2023^[49]).

Even within project-based grant-making, philanthropic donors can loosen restrictions on grantees in several ways. They can reduce grantee reporting requirements, for example. They can also allow for mid-project deadline extensions or budget increases rather than holding grantees to a pre-determined budget or timeline for projects. Lastly, multi-year grants can help grantees plan long-term budgets, reducing the time and resources spent in re-applying for grants.

The MAVA Foundation defines three forms of grants that are not project-specific:

- **programmatic funding:** “flexible funding granted in the context of the existing strategic plan of an organisation – either at the level of a programme or the whole organisation”
- **core funding:** “flexible funding for organisational administration and development, to increase the overall financial security of organisations”
- **emergency funding:** given “in the event of a crisis (e.g. COVID-19) for organisations to be more resilient and able to overcome the crisis” (Ba et al., 2023^[8]).

While programmatic funding would technically be considered as earmarked, it is more flexible than project-based grants. In programmatic funding, philanthropic donors and grantees align strategies and agree on goals. However, grantees are still free to adjust the programme, make personnel and organisational shifts, and adapt to changing circumstances.

The next form, core funding, can be further divided into two varieties:

- **organisational development grants** strengthen a grantee organisation’s leadership, financial management or other agreed-upon aspects of its organisational development
- **general operating support** is fully flexible and can be used at the grantees’ discretion (MacLeod, 2021^[9]).

These different forms of financing can be adapted and combined in various ways. For example, philanthropic donors may combine organisational development grants with project grants. This would provide both long-term funding to build the grantee’s organisational capacity and support for its current work. In another case, a philanthropic donor that usually offers general operating support may also provide organisational development grants. This could help reinforce a particular aspect of the organisation that needs attention. Confusingly, different philanthropic donors may describe all these combinations as “programme grants” (MacLeod, 2021^[9]).

Advantages and disadvantages of flexible financing

Flexible funding offers distinct advantages for each party:

- For the philanthropic donor, the use of flexible funding can reduce transaction costs, since any restrictions imposed on a grant will need to be identified, monitored and enforced by the foundation (Thornton, 2010^[10]). Furthermore, it can be more cost efficient to provide one large grant rather than many smaller project grants (MacLeod, 2021^[9]). With lower transaction costs, philanthropic donors can redirect resources towards broader strategic goals or identify promising new grantees rather than micromanaging specific allocations.
- On the grantee side, the advantages are even clearer. First, core funding provides grantees with operating stability, supports their organisational development and allows them to plan for the long term (MacLeod, 2021^[9]). No less importantly, unrestricted grants allow grantees to allocate funds according to their own priorities and needs. This contrasts with the constraints of restricted grants, which can lead to overfunding some programmes and underfunding more critical ones (Thornton, 2010^[10]). Furthermore, flexible contributions reduce the time and resources grantees spend in fundraising, and can make them less dependent on individual philanthropic donors (Rose-Ackerman, 1987^[11]). Earmarked funding has been shown to undermine both cost effectiveness and

project performance in international development organisations (Heinzel, Cormier and Reinsberg, 2023^[12]). Flexible funding also increases grantees' resilience to unforeseen crises and openness to unexpected circumstances.

Philanthropic donors that provide core funding generally recognise these benefits. A 2021 study on core grants commissioned by the Laudes Foundation found that philanthropic donors cited five general motivations for providing core grants (MacLeod, 2021^[9]):

- helping organisations cover their core costs
- allowing grantees the freedom to make key decisions in response to changing circumstances
- supporting a robust and independent civil society
- helping grantee organisations to scale up to a new level of operation
- changing the relationship with their grantees to be more trust-based and long-term.

However, flexible funding also has disadvantages, including higher risks for the philanthropic donor. Krehely and House (2005^[13]) identify four main reasons for foundations' reluctance to provide general operating support to their grantees: difficulty in evaluating effective use of funds; risk of grantees becoming overly dependent; desire to encourage competition among grant-seekers to optimise performance; and the view that philanthropy should foster new and innovative projects rather than simply sustain current programmes.

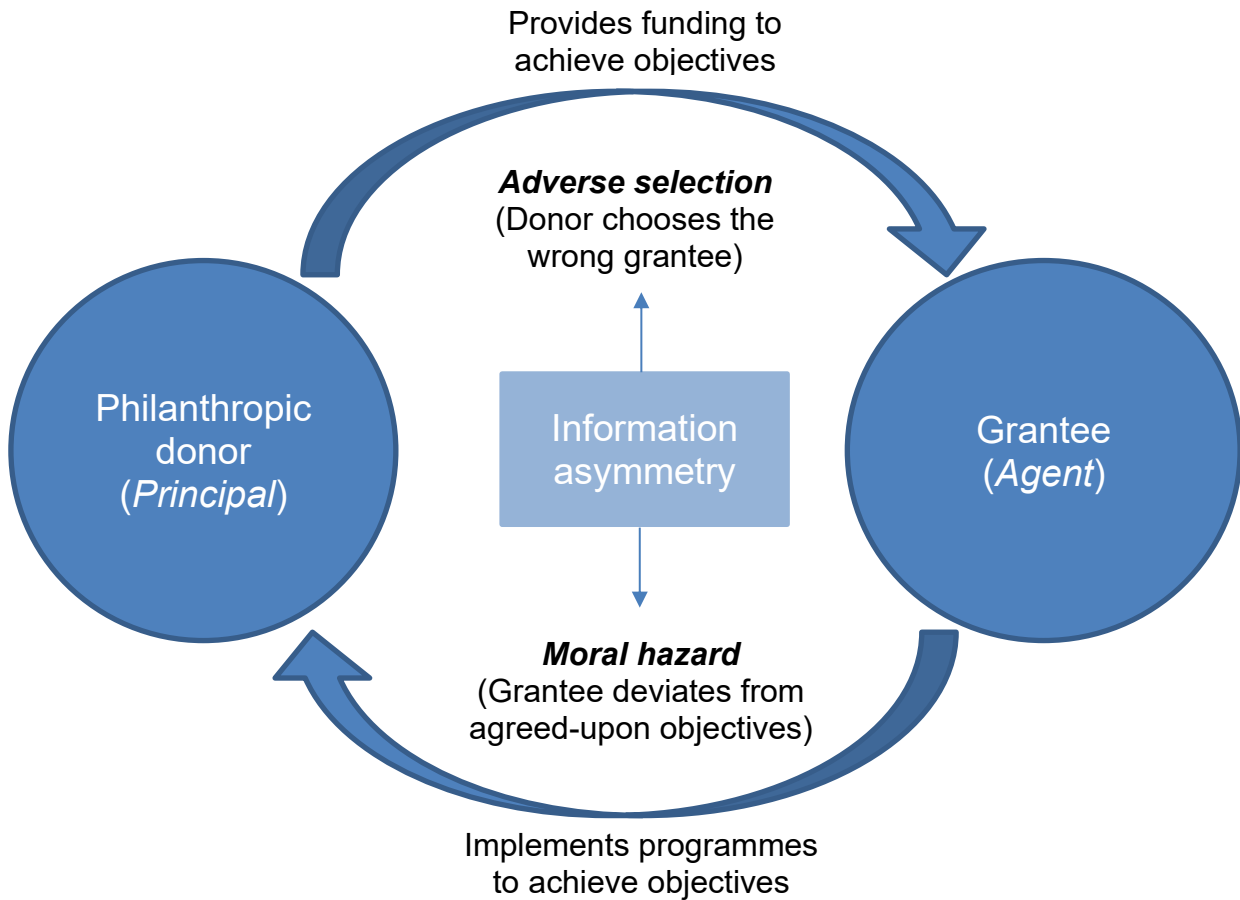
Thornton (2010^[10]) summarises the difficulties of providing general, unrestricted funding: "if non-profit organisations never behaved opportunistically, then unrestricted grants would be efficient". Unfortunately, numerous examples exist of non-profits acting against donor goals and interests – from cross-subsidising their own priority projects with funding from earmarked grants to outright fraud and embezzlement (Castaneda, Garen and Thornton, 2007^[14]; Fisman and Glenn Hubbard, 2005^[15]; Fremont-Smith and Kosaras, 2003^[16])

Given philanthropic donors' seeming preference for restricted funding, grantees have some incentives for entering into such contracts. Helms, Scott and Thornton (2012^[17]) found the possibility of restricted giving led to higher donation revenue for non-profit organisations. This may partially explain the willingness of grantees to accept earmarked grants. However, they may be willing simply because they have no choice: the donor holds more power in the relationship (Ostrander and Schervish, 1990^[18]; Fairfield and Wing, 2008^[19]). Further analysis of this dynamic, which can be framed as a contract between a philanthropic donor and a grantee, can help shed light on why foundations restrict or loosen their grant-making.

Grant-making as a contract

Contract theory provides a useful framework for understanding the decision-making dynamics between philanthropic donors (the principals) and their grantees (the agents) that explains flexible vs. inflexible financing. In a basic principal-agent model, the principal delegates tasks to the agent to achieve certain common objectives. The relationship is often characterised by information asymmetry (where one side holds private information the other side cannot observe) and misalignment of interests, which can lead to inefficiencies (Holmstrom, 1980^[20]). In philanthropic donor-grantee relationships, the donor provides funding to achieve certain goals, maximise the impact of its grant, and ensure its resources are used effectively for the intended purpose. The agent is the charitable organisation or non-profit that receives the funds to implement the activities or programmes to achieve the intended goals. The agent (grantee) typically has more information about project specifics, its own internal capacities to deliver the desired goals, the associated risks and other challenges than the principal (philanthropic donor) does (Figure 2.1).

Figure 2.1. Donor-grantee relationship as a contract



Source: Author's elaboration.

Grantees with multiple goals and multiple funders

The donor-grantee relationship can be described through a multi-task principal-agent model, as philanthropic donors generally have multiple expectations from their grantees. For example, a donor may want to renovate a school building, support education of children in that school, provide clear reports and measurements of immediate results, and maintain long-term sustainability of the project.

In multi-task models, the principal wants the agent to perform more than one task (or a single, multi-dimensional task). Holmstrom and Milgrom (1991^[21]) found that incentivising one of these tasks through a payment structure can result in neglect of the other tasks. In such multi-task contexts, they found that restrictions or constraints on the agent can be used as a substitute for performance incentives. Furthermore, they found the principal is most likely to impose constraints where it is difficult to assess the agent's performance. Thus, philanthropic donors might be expected to employ more restricted grants in contexts where one or more of their expected outcomes is difficult to observe and measure. This might be due to the nature of the goal or circumstances such as the geographical distance between the donor and grantee.

When only one of two desired tasks is easily observable and contractable, Fehr and Schmidt (2004, p. 473^[22]) suggest the party that can co-operate at a lower cost should ideally move first. They argue "the agent should first expend his effort and then the principal should reward him, and not the other way around". In philanthropic giving, desired goals frequently include both observable and non-observable

outcomes. Following the logic of Fehr and Schmidt (2004^[22]), philanthropic donors would allow grantees sufficient freedom to carry out the funded work. They would then reward success with future grants rather than attempting to compel compliance through stringent or punitive agreement terms.

In addition to performing multiple tasks for a single philanthropic donor, grantees frequently act as agents of multiple principals. Consequently, they receive grants from many different philanthropic donors that may have varying priorities and objectives. There has been no extensive study of financing flexibility that considers the multiple principal problem between philanthropic donors and grantees. However, a larger body of literature discusses the subject in the context of international organisations and their donor countries. This could inspire the current discussion given similarities in the donor-grantee relationship. Several of these studies are explored below.

Eichenauer and Reinsberg (2017^[23]) look at two principal-agent relationships: governments as agents of their electorates, and donor countries as collective principals of multilateral agencies. From the perspective of the donor country as an agent, earmarked aid to multilateral agencies is advantageous. It allows the country to claim specific successes (unlike in core budget support), while avoiding blame for failed projects (unlike in direct bilateral support). While a donor country is the agent of its electorate, a philanthropic foundation reports to its board. Thus, similar motivations for earmarked funding apply: a philanthropic donor may favour earmarked funding to meet the expectations of its board members more consistently.

When considering philanthropic donors as principals in the context of other types of grantees like international organisations, agency slack can be a key motivator for the use of earmarked funding (Eichenauer and Reinsberg, 2017^[23]). In other words, donor countries fund specific projects or trust funds to ensure that multilaterals are aligned with their own agendas. Sridhar and Woods (2013^[24]), for example, claim that Gavi (the Vaccine Alliance) and the Global Fund (fighting malaria, tuberculosis and HIV/AIDS) were created to counteract a perceived difference in priorities between member countries and the World Health Organization, and to recalibrate the agency's mission. These special-purpose funds have narrowly defined goals and are funded by voluntary contributions. This means they have no long-term core funding with which to become autonomous and diverge from the goals of their philanthropic donors. These cases exemplify the next hypothesis: the more divergence between the mission and goals of the grantee and those of the philanthropic donor, the more likely that the philanthropic donor will earmark its funding.

Diversity of goals among multiple principals (e.g. policy disagreements among donor governments or diverging priorities among philanthropic donors) can also give rise to increased earmarked funding. Differences of priority among the principals make it more difficult to control the agent, leaving the agent with more discretion (Eichenauer and Reinsberg, 2017^[23]; Eichenauer and Hug, 2018^[25]). This can, in turn, lead the principals to earmark as a means of additional control over the agent and to assert their own goals above those of other principals. Thus, philanthropic donors could be expected to provide more earmarked funding in contexts where the grantee works in multiple sectors and receives funding from many different philanthropic donors with diverging funding goals.

Since diverging interests of philanthropic donors can pose an obstacle to general operating support, aligning the interests of foundations before deploying financing could facilitate more flexible funding. One possible solution is the use of donor collaboratives, in which multiple philanthropic donors pool funds for specific goals or initiatives, such as promoting gender equality, combatting world hunger or mitigating climate change (Gibson and Mackinnon, 2010^[26]; OECD, 2021^[27]). Donor collaboratives can take a variety of forms, including learning networks, strategic alignment networks and pooled funds (Gibson and Mackinnon, 2010^[26]). While collaboration between philanthropic donors is not new, it has received increasing attention. However, the potential of donor collaboratives to facilitate flexible funding for grantees has not yet been studied, and is an important area for further research.

Grant-making can build trust between philanthropic donor and grantee

The question of trust underlies other factors, such as measurability of outcomes, proximity of grantee, similarity of grantee goals and multiplicity of funders. If a philanthropic donor could have total trust in the reliability, efficiency and mission-alignment of their grantee, many reasons for earmarking funding would no longer apply.

D’Acunto, Xie and Yao (2022^[28]) analyse the relationship between trust and contract completeness, or the extent to which a contract covers and specifies the handling of various potential future contingencies or events. They found a negative correlation between the trust between contracting parties and contract length and complexity. Specifically, when trust decreased, more clauses were introduced – particularly clauses related to confidentiality, indemnification, termination and non-competition. Thus, an inverse relationship could be expected between the level of trust between a philanthropic donor and grantee, and the number of restricting clauses in their grant agreements.

What makes a grantee trustworthy?

Philanthropic donors determine trustworthiness of potential grantees in several ways, such as audits and perceived similarities:

- Kitching (2009^[29]) found that philanthropic donors are more likely to give to potential grantees that use high quality auditors to perform due diligence for them. However, this measure can be substituted with the grantee’s reputation, which was proxied by organisation size as measured by assets.
- Guiso and Makarin (2020^[30]) found affinity – real or perceived similarity – could build trust between parties without previous interaction. This is borne out in the case of multilateral donors, which are more likely to give core budget support to countries with similar spending priorities (Clist, Isopi and Morrissey, 2011^[31]). In the case of philanthropy, donors might identify affinities with grantees along geographic or ideological lines. Thus, more general operating support could be expected for larger, more known grantees; grantees in the same country as the philanthropic donor; or grantees known for championing the same goals as the philanthropic donor.

Building relationships of trust

As grantees and philanthropic donors move beyond simple one-time transactional relationships to collaborative partnerships (Fairfield and Wing, 2008^[19]), they can start building trust.

Developing mutual trust between grantees and philanthropic donors – along with other strategies such as aligning missions and improving grantees’ access to philanthropic donors – is a key way to achieve “partnered philanthropy” (Reid, 2015^[32]). In this type of relationship, philanthropic donors treat grantees as valued partners for mutual experimentation, learning and impact. In the context of multilateral systems, “partnerships can transform the nature of earmarking. In the contract or implementer modality, the principal-agent problem is resolved by strict terms and conditions. The partnership modality offers a different solution, as philanthropic donor and agency work together” (Weinlich et al., 2020^[33]).

Similarly, it could be expected that more established and co-operative relationships between a philanthropic donor and a grantee make it more likely for a foundation to provide flexible contributions. Lumineau (2017^[34]) theorises that contracts themselves can serve as “information-processing systems” for developing trust. Under this view, philanthropic donors would be more likely to trust grantees with which they have previously concluded grant agreements, assuming the grantee has successfully met the grant conditions and produced satisfactory results. Furthermore, philanthropic donors reported higher levels of trust for grantees that focused on relationship building, as measured by factors such as communication outside of grant solicitations and personalised attention to the philanthropic donor (Waters, 2009^[35]).

3 Flexible giving in private philanthropy for development

How prevalent is flexible giving? Who receives general support grants? This section analyses flexible giving using OECD and public-domain data on philanthropic funding. In so doing, it highlights trends in the use of general support grants over time and across variables such as regions and thematic areas.

The analysis is based on *Private Philanthropy for Development*, a dataset comprising around 70 000 donations from 205 philanthropic foundations to different grantees and world regions between 2016 and 2019 (OECD, 2021^[36]).² For each grant or project, the OECD collected detailed information, including amount, year of disbursement and description of the financial operation.

The dataset includes a “channel of delivery” classification for each individual donation. This captures information on the type of grantee based on its legal structure – ranging from non-governmental organisations (NGOs) to international organisations, philanthropies, public and private sector institutions, universities and research centres, and other types of entities. For NGOs and public sector institutions, it further distinguishes between developing country-based (“receiving”) institutions and developed country-based (“donor”) institutions, where possible.

To distinguish between flexible and earmarked financing in the data, the report follows a three-step approach:

- First, it uses self-reported data from philanthropic donors that indicated core funding grants or projects, as documented in *Private Philanthropy for Development*, 2016-19.
- Second, for philanthropic donors that did not self-report core funding grants or projects, it carried out data imputation based on text analysis of grantee names and descriptions to infer the nature of donations. Based on grant/project descriptions, it identified flexible financing using text tokens of synonyms for “general support” in the various languages present in the dataset. This analysis considered different conventions based on the country of origin of the philanthropic donor. For instance, US-based foundations often describe their grants/projects as “for general purpose” or “for general budget support”, while philanthropic donors in the United Kingdom refer to “core funding”.
- The third step identified “modalities of giving” based on the combination of grant/project flexibility and the type of channel of delivery involved (i.e. multilateral, non-multilateral or public institution). Modalities are “the methods used to finance development activities”, and fall into two broad categories: project/programme support and general budget support (Bandstein, 2007^[37]). “Project/programme support” is funding earmarked for a specific activity, characterised by detailed objectives and conditionality. “General budget support” is detached from a specific project and involves transfer of a lump sum, offering greater flexibility in its use (Bandstein, 2007^[37]). These

² After eliminating donations outside 2016-19, donations lacking identifiable delivery channels, and donations with negative or zero grant amounts, the total number of grants/projects represented in this analysis dropped to around 65 000 from 180 foundations.

two modalities can be further subdivided based on the channel type of the recipient, such as multilateral institution, public organisation or NGO (Table 3.2).³

The following analysis focuses on whether a grant/project is flexible based on whether its descriptions contain any of the tokens (Table 3.1).

Table 3.1. General support funding: Text identifiers

Tokens used to identify flexible funding in grant/project titles and descriptions

Tokens in grant/project descriptions related to flexible financing
general support – general operating support – general purpose – general fund – general operating fund – general operating expense – general operation – general operational grant – general activities – core fund – core grant – core operation – core support – unrestricted funding – unrestricted annual gift – core, unrestricted – unrestricted support – unrestricted grant – operating – expense grant (unrestricted) – unrestricted programme support

Source: Author's elaboration.

Table 3.2. Funding modalities and channel types

Funding modalities		Channel types
Flexible	Earmarked	
Core contributions to multilateral institutions and global funds	Contributions to specific purpose programmes and funds managed by public sector institutions	Developing country-based NGO Donor country-based NGO Donor government International NGO Network or PPP Other multilateral institution
Core contributions to public sector institutions	Contributions to specific purpose programmes and funds managed by international organisations	Other NGO or civil society organisation Philanthropic organisation Private sector institution Recipient government
Core support to NGOs, other private bodies, PPPs and research institutes	Project-type interventions Scholarships and student costs	Regional development bank United Nations agency, fund or commission Research or teaching institution World Bank Group World Health Organization

Note: NGOs = non-governmental organisations. PPPs = public-private partnerships.

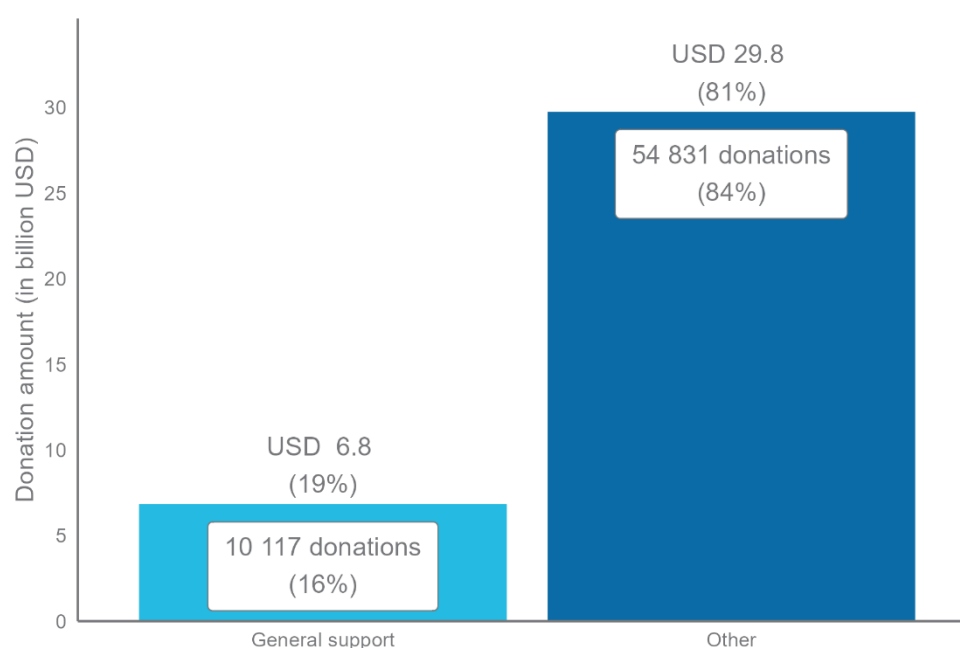
Source: The channels of delivery, sectors and modalities of giving adopted in this analysis are based on the code conventions used to classify information in the OECD Development Assistance Committee databases (OECD, 2023_[38]).

³ The channels of delivery, sectors and modalities of giving adopted in this analysis are based on the code conventions used to classify information in the OECD Development Assistance Committee databases (OECD, 2023_[38]).

Flexible funding is infrequent, representing 19% of private philanthropy for development financing

Based on the analysis, flexible giving is infrequent. Figure 3.1 shows how flexible funding is a relatively small subset of all donations. Of 64 948 grants/projects in the dataset, only 10 117 – amounting to USD 6.8 billion and 16% of all operations – were allocated towards general support. This contrasts with the USD 30 billion directed towards specific projects or programmes. While around 16% of the grants/projects are designated as general budget support, these flexible donations account for roughly 19% of the total donated.

Figure 3.1. Flexible vs. earmarked financing in *Private Philanthropy for Development*, 2016-19



Note: The *Private Philanthropy for Development* dataset initially contained over 70 000 contributions from 205 foundations. After eliminating donations made outside 2016-19, donations lacking identifiable channels of delivery, and donations with negative or zero grant amounts, the total number of grants/projects represented in this analysis decreased to around 65 000 from 180 foundations.

Source: Authors' elaboration based on (OECD, 2021^[36]).

The report formulates a probabilistic model to understand and compare flexible giving practices based on grant/project, philanthropic donor and grantee characteristics. Using 15 channels of delivery and 23 sectors as main covariates, it estimates the likelihood of a donation being general support. The specification includes random effects for donors, years, donor countries and recipient regions to model the variability arising from the multi-level structure of the data. Year fixed effects are included to account for variations that are constant over time, and the grant/project amount enters the model as a covariate (Annex C).⁴

Flexible funding is more frequent for certain types of organisations, with NGOs as the most likely recipients

The model identifies a clear variability across channels of delivery. Grantees exhibit varying likelihoods of receiving general budget support depending on their organisational type. This aligns with the intuition that

⁴ The full model specification is available in Annex C.

an organisation's role in the development landscape – ranging from grassroots movements focused on local issues to larger entities targeting policy or systems change – may affect their funding opportunities:

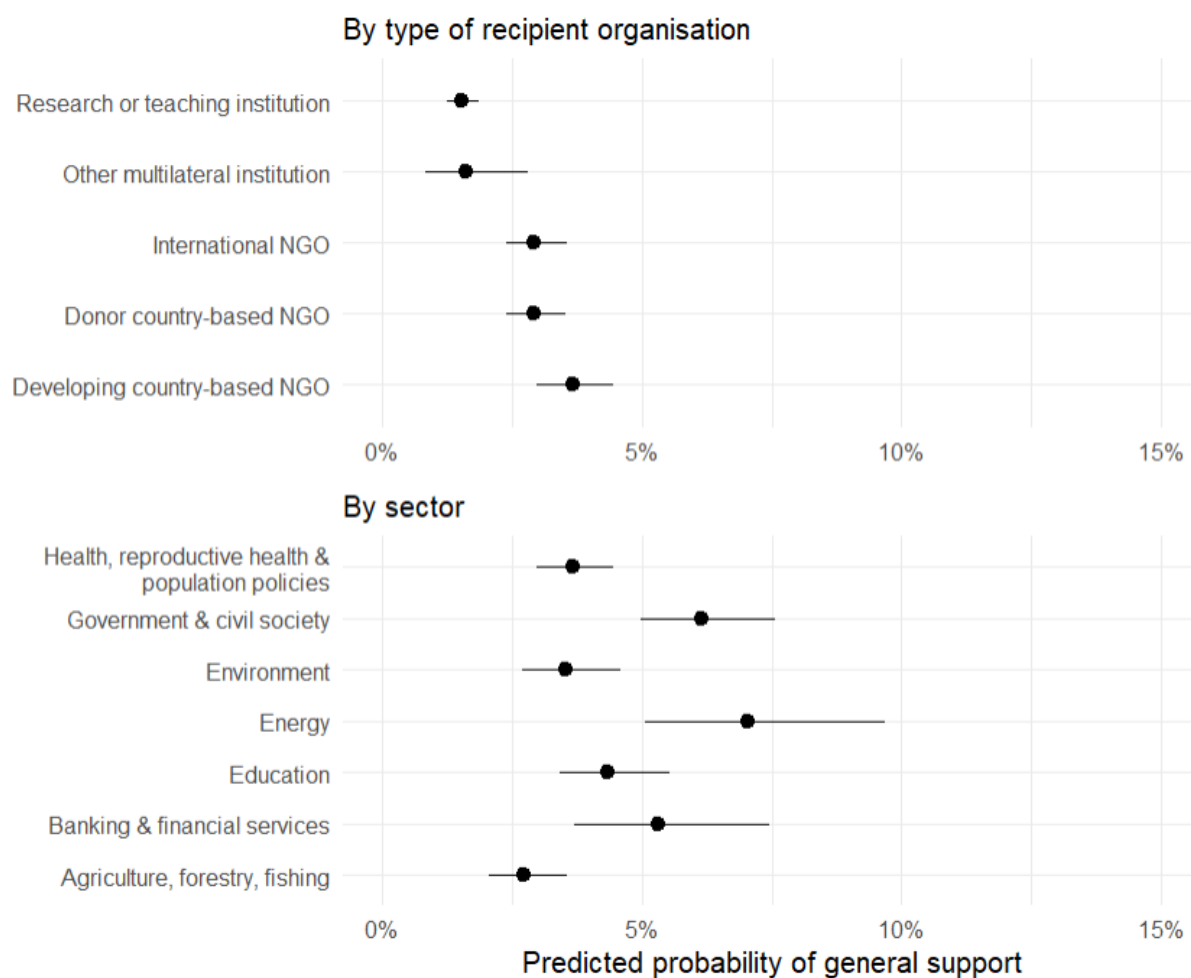
- While all channel types show low probabilities of receiving general budget support, NGOs emerge as the most likely recipient (Figure 3.2). This holds irrespective of their headquarters' location; NGOs based in donor countries and international NGOs are only slightly less likely to receive flexible funding compared to their developing country-based counterparts. All types of NGOs are often on the front lines, directly interacting with the target populations of philanthropic donations. Their non-profit status typically means a reliance on external funding to finance operations. Furthermore, NGOs often focus on specific issues and actively cultivate relationships with the foundations that provide their funding. These factors – financial constraints, proximity to on-the-ground activities, stronger foundation ties and concentrated scope – may position them as ideal candidates for general budget support.
- Universities, think tanks, and other research or teaching institutions have a low probability of receiving flexible funding. These types of organisations, particularly universities, are commonly supported through contributions to their endowments or through targeted donations for specific programmes or research initiatives. In this case, earmarked funding is more common.
- Larger multilateral organisations are less likely to receive general budget support by the very nature of their operation, with the exception of Gavi, the Vaccine Alliance and the Global Fund. This is especially true for financial multilateral institutions, such as the World Bank Group and regional development banks. These organisations are involved in large-scale, structured projects, operating specific-purpose vehicles like trust funds with a narrow focus. This makes them less suitable for flexible funding. Foundations may also hesitate to relinquish control due to the vast number of topics these institutions tackle, instead providing only financing tied to specific objectives. Finally, the presence of multiple philanthropic donors, each with distinct priorities, may lead to earmarking to align the foundation's agenda with that of the recipient organisation.

Funding strategies reflect the specific needs and characteristics of each sector, with energy and government/civil society more likely to attract flexible funding

The model identified important differences in the probability of flexible funding across development sectors. These differences may reflect a strategic approach to grant allocation, whereby flexibility is aligned with the nature, needs and levels of uncertainty over grantees working on each sector.

The energy sector, for instance, is more likely to receive flexible funding than other sectors (Figure 3.2). Grants to the government and civil society sector also show a moderate probability of flexible funding, driven by NGOs. The model predicts a lower probability of flexible funding for health-related projects, which might necessitate more structured funding in this sector. Finally, the model predicts low probabilities of flexible grants/projects in environment, as well as in agriculture, forestry and fishing.

Figure 3.2. Probabilities of general support by channel of delivery and sector

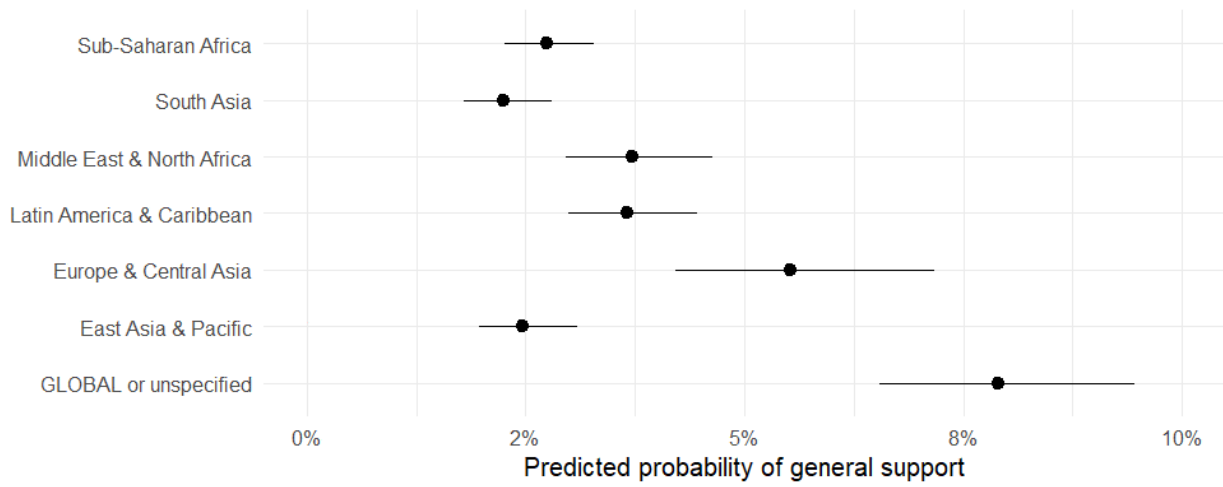


Note: 95% credibility interval.

Source: Authors' elaboration based on OECD, 2021b.

Flexible funding is more likely for financing to international NGOs, and less likely for grantees based in sub-Saharan Africa and South Asia

The model also identifies variability across geographic regions, as summarised in Figure 3.3. “Global” funding is predicted to be the most flexible, with Europe and Central Asia, the Middle East and North Africa, and Latin America and the Caribbean following closely. In contrast, South Asia, East Asia and the Pacific, and sub-Saharan Africa are the least likely to receive unrestricted donations.

Figure 3.3. Probabilities of general support by recipient region

Note: 95% credibility interval.

Source: Authors' elaboration based on OECD, 2021b.

4 Flexible portfolios: The case of large international philanthropic donors

Data on *Private Philanthropy for Development* provide the clearest picture on flexible funding. They apply to the largest number of organisations, drawing on a sample of 180 philanthropic donors. However, the data have several important limitations:

- First, data hold only a fraction of yearly giving for cross-border philanthropic donors. The data exclude most of the funding in the country where they are based and the funding deployed in other high-income countries. However, the relationship between philanthropic donors and grantees can vary substantially internationally or within their own countries. Consequently, looking at the entire funding of each philanthropic donor would likely yield different results.
- Second, data from 2016-19 might not reflect broader trends in flexible giving. Data in this period can depend on decisions made before or during the period, or external factors outside the control of philanthropic donors. These are not reflected in the data.

The following analysis overcomes both limitations of *Private Philanthropy for Development* data. On the one hand, it looks at the entire portfolio of large cross-border philanthropic donors. On the other, it extends the period of analysis to include data from before 2016 and after 2019.

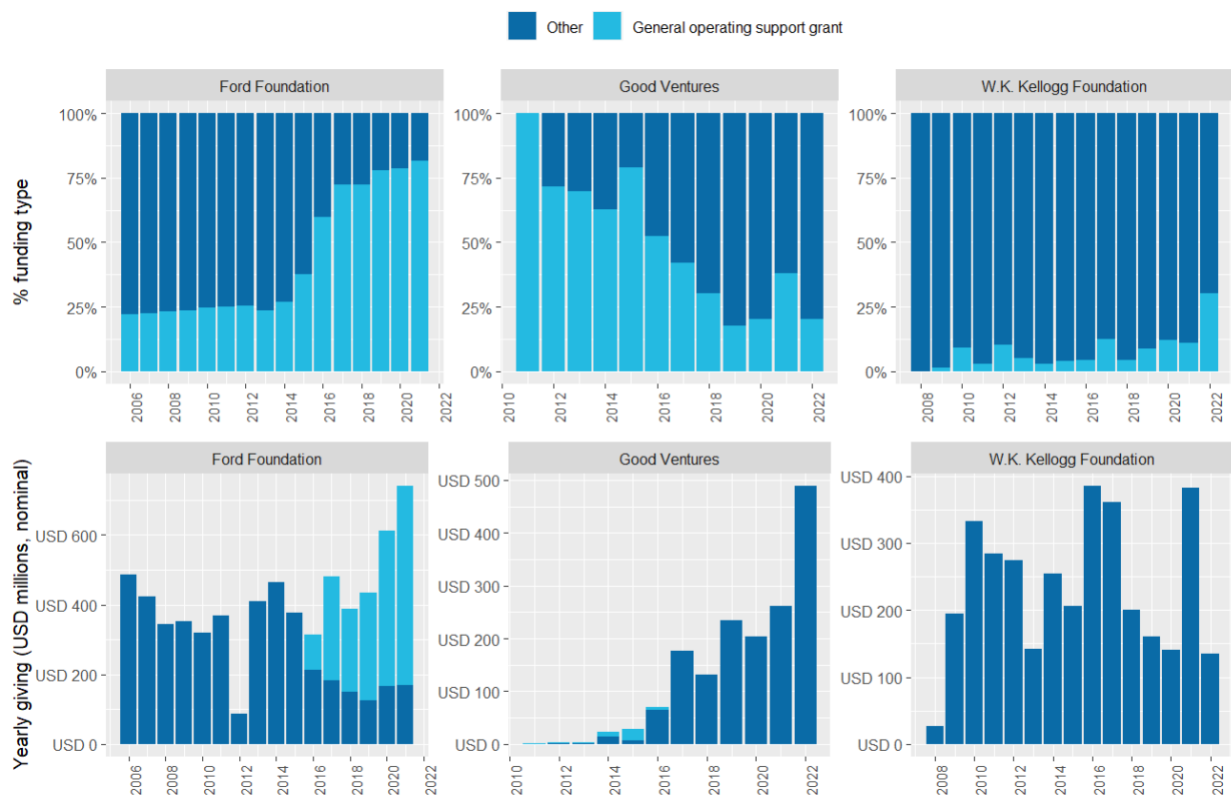
The OECD Centre on Philanthropy consolidated data for the entire yearly giving of 20 large philanthropic donors. For the Bill & Melinda Gates Foundation (BMGF) and The Atlantic Philanthropies, the data cover the entire history. For the rest, the data span from 1982 to 2022 depending on the public availability of information for each foundation. They cover their entire grant-making – more than 145 000 individual grants. The scope ranges from yearly giving of USD 1 million from Gatsby Charity Foundation in 2002 to USD 6.4 billion from BMGF in 2016.

Flexible portfolios, through time, show large differences in how philanthropic donors have changed their funding practices

This chapter first describes flexible funding and the proportion of a foundation's entire yearly giving that goes to general support. To that end, it relies on statistical analysis suitable for small samples. These samples include repeated observations of the same unit, which in this case is each philanthropic donor.

Figure 4.1 illustrates different approaches to flexible portfolios and flexible giving on a yearly basis. For example, the Ford Foundation committed to increase its general support funding. Consequently, its flexible portfolio increased from 25% to over 80% in 2014-21. The foundation also significantly increased the size and scope of its grant-making in this period. Similarly, the W.K. Kellogg Foundation has increased its flexible financing in recent years. In contrast, Good Ventures started in 2011 with flexible funding to a few grantees, and then deployed much larger strategies through earmarked funding.

Figure 4.1. Flexible portfolio vs. flexible giving



Note: Each foundation's yearly giving is denominated in the currency used to provide its grants and is not deflated.

Source: Authors' elaboration. See Annex B.

A Bayesian regression model is introduced to further analyse spending patterns related to portfolios of flexible financing. This model allows comparison through time and across organisations. As such, it identifies observable factors that can explain differences in the proportion of a foundation's yearly giving that are directed to flexible funding. The model takes advantage of the entire yearly giving of these foundations for multiple years to understand if they are moving towards or away from flexible funding (Annex C).

Among large philanthropic donors, flexible funding is becoming more common but remains small

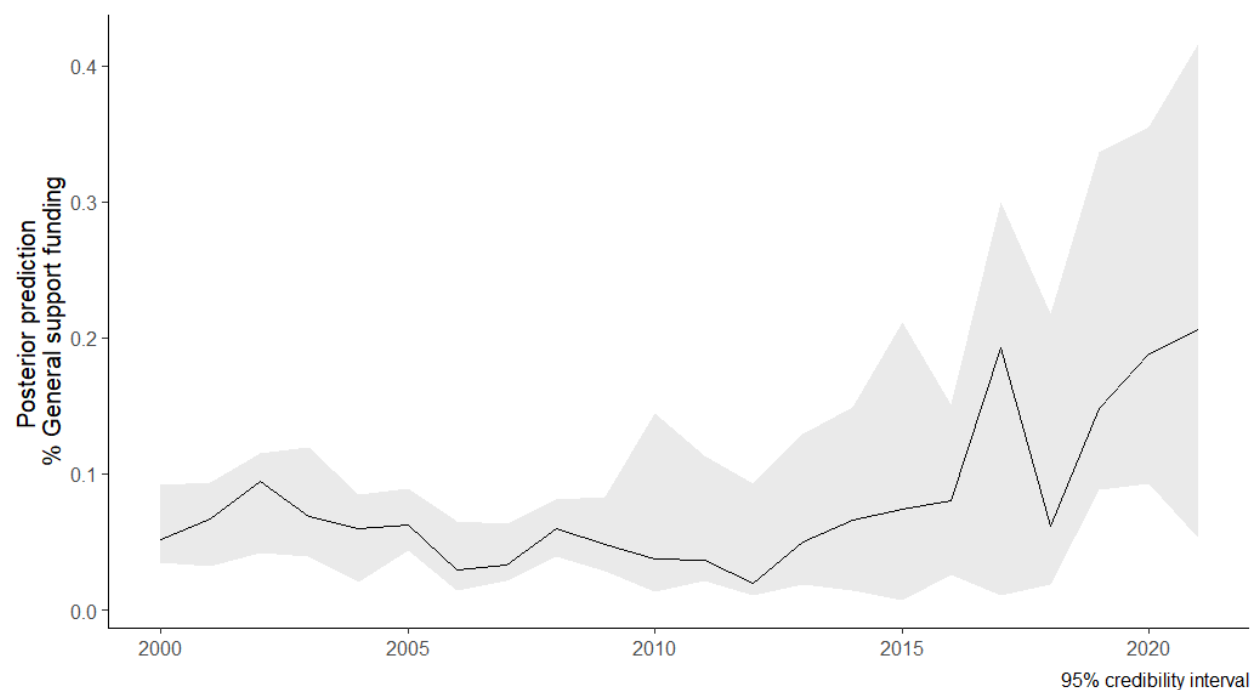
The model identifies a recent upward trend in flexible financing, albeit a small one given that most funding is not directed towards general support. The proportion of flexible financing provided by these large philanthropic donors has increased to around 20% of average annual giving as of 2021. However, the proportion can vary greatly between philanthropic donors.

There is a wide array in the portfolio of flexible giving. Some foundations do not change their proportion much from year to year. Others introduce a few flexible grants occasionally, which temporarily increases their flexible portfolio for a year or two.

Some foundations have explicit strategies to make flexible giving a larger part of their operations. The trends vary through time, as organisations have diverged in their flexible giving. Some have no flexible

giving at all as of 2021. Others, like the Ford Foundation, allocated more than 80% of their 2021 grants towards general support (Figure 4.2).

Figure 4.2. Time trend in flexible portfolios among large philanthropic donors



Note: Includes data for multiple periods from 20 large philanthropic donors.

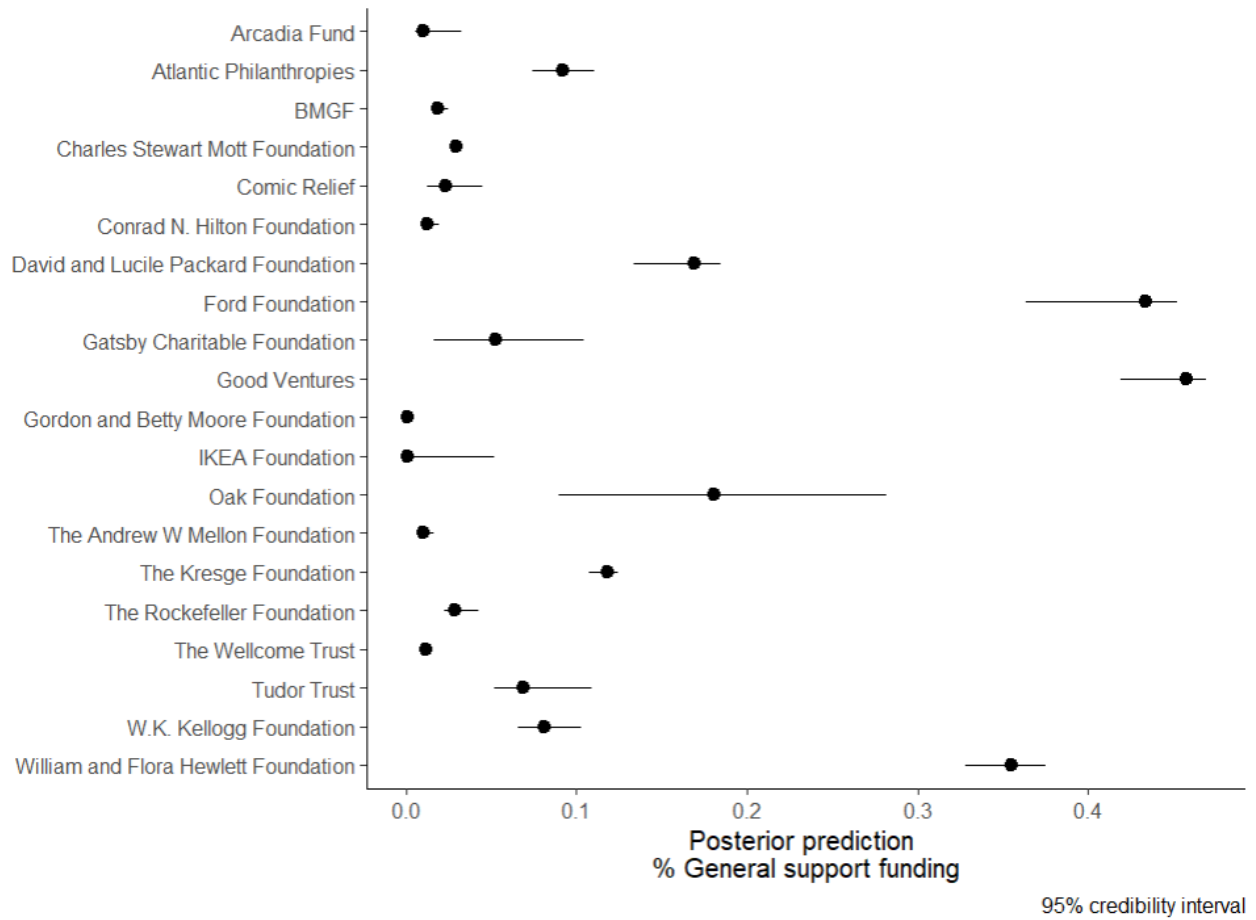
Source: Authors' elaboration.

Only a few large philanthropic donors are moving towards flexibility

A few philanthropic donors have recently increased their flexible giving, such as the Ford Foundation, Oak Foundation, and the William and Flora Hewlett Foundation (Figure 4.3). However, philanthropic donors have either largely maintained their flexible giving as a small fraction of their yearly giving or continue to use it sporadically.

Good Ventures is an interesting case. In the beginning, the foundation had few grantees and provided flexible funding. However, as it expanded its portfolio volume, the foundation provided project-specific funding to new grantees. This shows that flexible funding can also play a part in dynamic strategies of giving. Early on, foundations work to build capacity of grantees, which can later absorb additional funds tied to specific purposes (Box 4.1).

Figure 4.3. Predicted flexible portfolio for large philanthropic donors



Note: Includes data for multiple periods from 20 large philanthropic donors.
 Source: Authors' elaboration.

Box 4.1. Committing to unrestricted grants, but to whom? The case of Yield Giving

Yield Giving, Mackenzie Scott's foundation, has given USD 16.5 billion since its inception in 2019. All giving is carried out through unrestricted grants: funding is never earmarked to a particular objective or project. The giving strategy, as declared by its founder, holds that "Yield is named after a belief in adding value by giving up control" (Yield Giving, 2023^[39]).

Since gifts are generally one-time and without reporting requirements, Yield Giving has relied on external research and evaluation to choose grantees. As of December 2023, Yield Giving has funded 1 954 grantees, 554 with undisclosed amounts. So far, just five grantees have received grants for more than one year, and all but one of these five were US-based and US-focused entities.

Yield Giving's approach to funding appears to focus on well-known, visible organisations, with a strong inclination towards those based in the United States. A large proportion of financing has been directed towards different branches of the same large grantees, in particular US-based organisations like United Way. Of 445 grants in 2020, nearly half (218 grants) went to various branches of just a handful of organisations: YMCA/YWCA, United Way, Goodwill, Meals on Wheels and Easterseals. Similarly, US non-profits have received five times more funding than organisations based in sub-Saharan Africa.

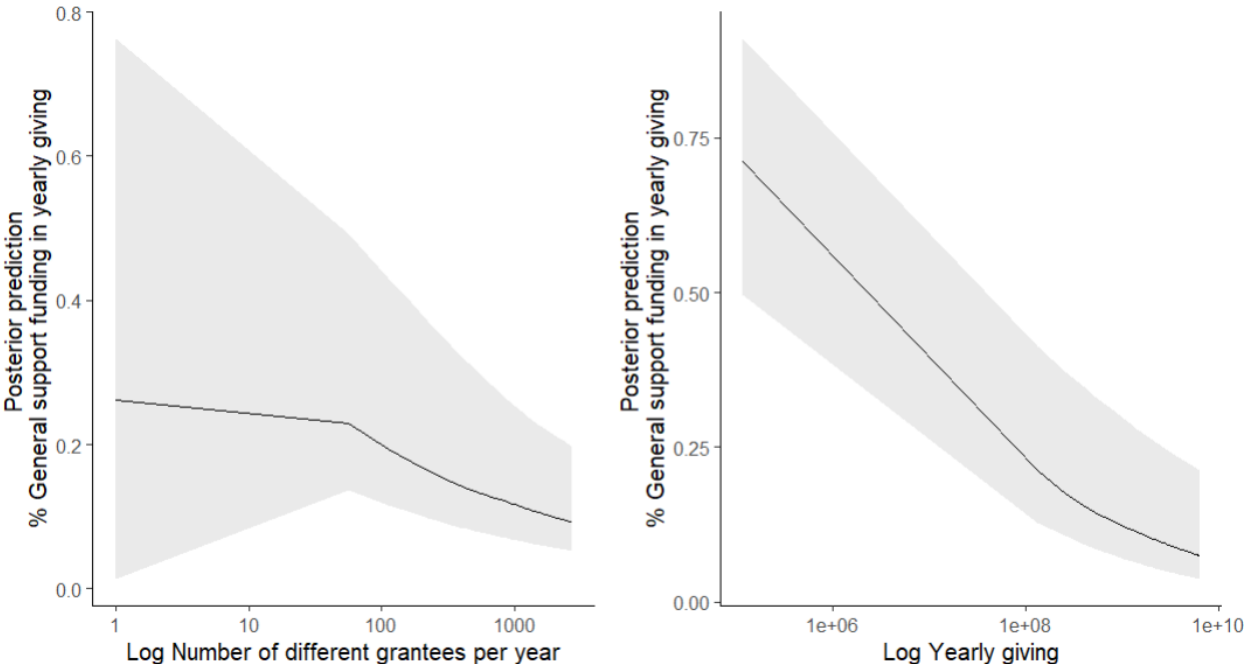
Yield Giving's commitment to unrestricted grants, aiming to empower grantees through autonomy, can also present significant challenges. By relinquishing control and opting not to build sustained relationships with recipients, the foundation may miss opportunities to learn and adapt. This, in turn, could lead to a lack of accountability. Moreover, the focus on well-known, primarily US-based organisations risks overlooking smaller, innovative groups that might offer new perspectives and solutions. It also misses the opportunity of working with larger organisations that operate through other funding mechanisms, such as most international organisations. The strategy may exacerbate inequalities in the non-profit sector, with well-established organisations receiving a disproportionate share of resources.

Flexible giving is more likely for foundations with fewer grantees, and decreases with larger annual budgets

The number of grantees in each year and the total annual giving of a foundation affect the proportion of flexible giving (Figure 4.4). Foundations with few grantees, or those expanding their grantee pool, tend to provide more flexible funding. Conversely, foundations with thousands of grantees tend to provide less flexible funding. In general, a philanthropic donor with many grantees is associated with a less flexible portfolio. For their part, smaller foundations tend to have a larger proportion of flexible giving than larger foundations across the entire distribution of yearly giving. Beyond a certain amount of giving, flexible giving tapers off and becomes an even smaller proportion of all yearly giving.

The Atlantic Philanthropies, where the number of grantees changes significantly, is another interesting case of flexible giving. In its final year before shutting down, the foundation disbursed its remaining endowment through as flexible giving (Box 4.2).

Figure 4.4. Flexible portfolio in relation to annual giving and number of grantees



Note: Includes data for multiple periods from 20 large philanthropic donors.
Source: Authors' elaboration.

Box 4.2. Flexibility at the end of the line: The case of The Atlantic Philanthropies

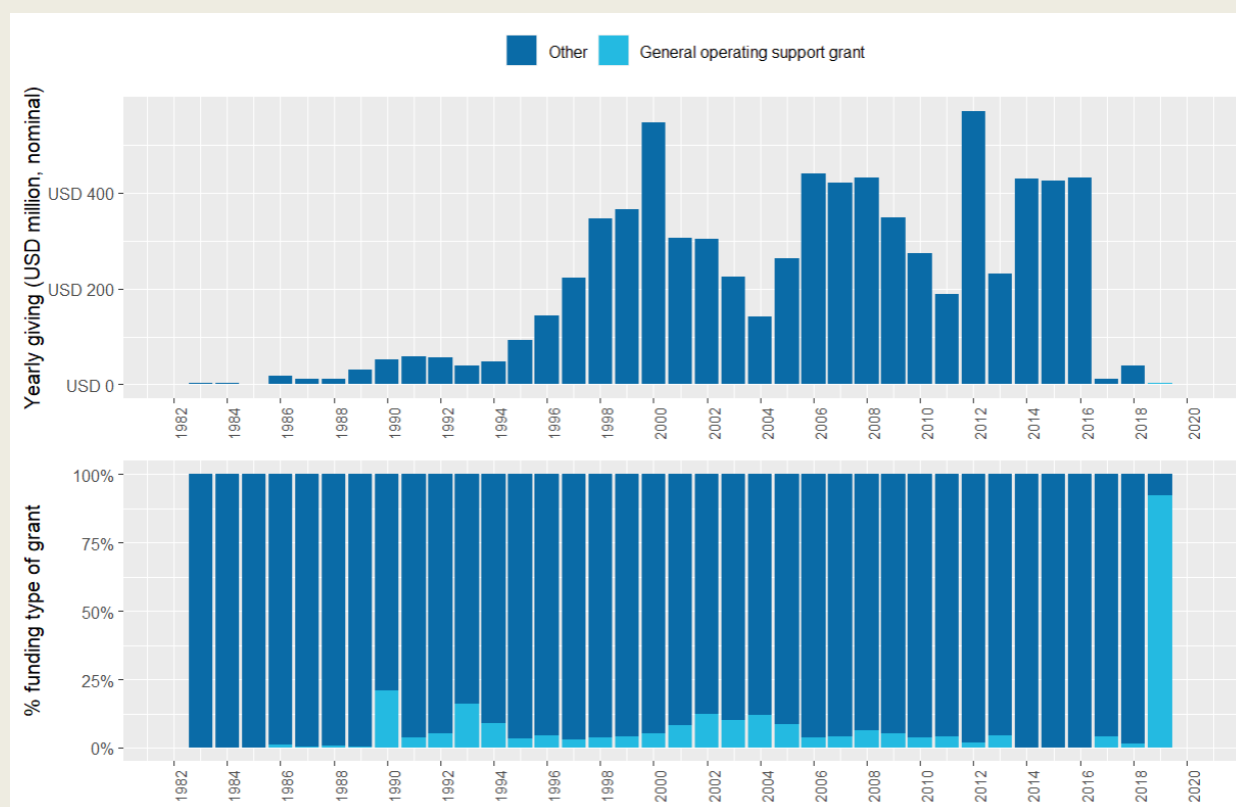
The Atlantic Philanthropies, a private foundation established by entrepreneur Chuck Feeney in 1982, adopted a “spend down” strategy that culminated in its closure in 2020. The deliberate decision to spend all assets within a fixed timeframe was a significant departure from the traditional model of perpetual philanthropic foundations. By the time of its closure, the foundation had disbursed over USD 8 billion.

The foundation had provided significant “general support” grants through the years. However, by 2019, it had already spent most of its assets, and the remainder was given as flexible funding. Grantees like The Social Change Initiative and Khayelitsha Youth and Community Centre Trust, which had been financed multiple times in earlier years, received a final general support grant in 2019 (Figure 4.5).

This case shows how foundations rely on established relationships for providing flexible funding. It indicates that when foundations cannot control how grantees use their funding (e.g. because they will no longer exist to enforce restrictions) they are more likely to provide flexible funding.

Figure 4.5. The Atlantic Philanthropies, 1982-2020

Occasional flexible giving except in the year before the foundation closed



Source: Authors' elaboration based on The Atlantic Philanthropies (2023).

5 Key takeaways

This report contributes to better understanding philanthropic financing and how it can be made more effective for both philanthropic donors and grantees. It introduces a first-of-its-kind analysis on when, why and to which grantees philanthropic donors provide general support financing rather than earmarked resources to an activity or objective.

Flexible financing has advantages and disadvantages for both philanthropic donors and grantees. On the one hand, flexible funding allows philanthropic donors to lower transaction costs, and permits grantees to allocate funds according to their needs. However, this approach brings risks for philanthropic donors. These include difficulty in evaluating use of funds, the potential for grantees to become overly dependent on a single source of financing and misalignment with donor goals. The literature suggests that philanthropic donors often prefer restricted funding, despite evidence that flexible funding can lead to more effective outcomes. This tendency becomes even more pronounced in cases where grantees work with multiple philanthropic donors on a variety of objectives.

Specifically, philanthropic donors may impose restrictions on their funding through earmarking to assert their priorities over those of other philanthropic donors. Strategies such as donor collaboratives and intermediary funds aim to align donor interests, and thus may facilitate more flexible funding.

Flexible funding is frequently described as an outcome of a trust relationship between a philanthropic donor and a grantee. Philanthropic donors are more likely to provide unrestricted funds to grantees they deem as trustworthy, whether through first-hand experience, by affinity or by reputation. This trust is not static: it can evolve and strengthen over time, particularly through sustained partnerships and effective communication.

The analysis leaves many hypotheses untested. Of special interest are hypotheses related to grantee characteristics that can explain when and who draws flexible financing; the role of costs in the operations of grantees; and other ways in which flexible financing can manifest – for instance, through lighter reporting burdens on grantees.

Several testable hypotheses emerge to explain when foundations choose to provide core funding to their grantees. The report hypothesises that a philanthropic donor is more likely to give unrestricted, core funding if a grantee meets one or more criteria. These comprise a narrow focus; an established relationship with the philanthropic donor; a known and visible international reputation; or a headquarters in the same country as the philanthropic donor, as they share a similar regulatory environment.

Discussions on flexible funding depend on several factors, including the fixed cost structure of grantees and the observability of whether funding is allocated to cover fixed costs and the operational capacity of the grantee, or instead to variable costs related to the grantee's programmatic work. Ultimately, the entire income spectrum and cost structure of grantees need to be assessed to determine whether flexible funding is adequate.

Recommendations for philanthropic donors

- *Assess whether the philanthropic donor's combination of flexible and earmarked giving is in line with its objectives and those of its grantees.* Most philanthropic donors use a mix of flexible and earmarked financing, depending on the types of grantees, the amount provided and other factors. Yet it remains unclear whether this mixture is deliberate and effective, or just reflects the relationships between the philanthropic donor and each one of its grantees. Further analysis on how different funding types affect the grantees' operational capabilities and goals would be helpful in determining whether more or less flexible funding is useful for any particular philanthropic donor.
- *Assess whether and to what extent commitments to flexible funding change the types of organisations that receive funding.* Philanthropic donors should consider evaluating how their commitments to flexible funding may influence the types of organisations that receive support. This can reveal whether flexible financing leads to a broader and more diverse range of beneficiaries, or if it inadvertently narrows the scope of funded organisations. Understanding this dynamic is vital for ensuring that funding strategies make sense across various types of organisations. Recently, some philanthropic donors have committed to provide more flexible funding to their grantees. This takes advantage of the benefits of increasing flexibility in the use of financing highlighted in this report. However, for a philanthropic donor, flexible funding can also change the composition of its grantees, and indirectly, the thematic focus of its entire giving. For instance, the philanthropic donor will be less likely to provide funding to large funds with strict re-granting rules and instead focus on smaller NGOs.
- *Assess compliance costs and administrative burden of grant agreements and reporting.* Philanthropic donors need to assess the compliance costs and administrative burden related to grant agreements and reporting requirements. This assessment can highlight the potential trade-offs between stringent reporting and the efficient use of grant funding. Moreover, flexible funding can increase administrative costs if it places additional requirements on grantees. Streamlining grant agreements, being aware of how other philanthropic donors carry out this process, and trying to reduce unnecessary bureaucratic hurdles can improve how grantees allocate their funds. Flexibility concerns grant-making procedures before, during and after a donation, and should thus be assessed throughout the process.
- *If the philanthropic donor provides funding to re-granters or intermediary funds, request recipients should be publicly transparent about the use of funds.* Philanthropic donors should request that recipients of intermediary funds publicly disclose the use of funding. When philanthropic donors provide funding to re-granters or intermediary funds, they need to ensure these intermediaries are transparent about how the funds are being used. They also need to identify any gains in flexibility or additional transaction costs imposed on the funding. This transparency is key to maintaining trust, accountability and effectiveness in the philanthropic sector.

Recommendations for future research

- *Expand the estimation of flexible funding portfolios.* Future research should aim to expand the analysis of flexible funding portfolios beyond a few large international philanthropic donors. To that end, it should include more philanthropic donors, more information about grantees and longer time periods. By including a wider range of donors and grantees, analysts can generalise trends on flexible funding for philanthropic donors from a particular country. This would enable a deeper study of both benefits and challenges associated with flexible funding.
- *Determine whether responses to COVID-19 pandemic made philanthropy more flexible, and whether these changes will remain in place.* Research should determine whether philanthropic responses to the COVID-19 pandemic led to more flexible funding practices. Will these responses become a new normal or will philanthropy revert to pre-pandemic practices? This can provide

valuable insights into how crises influence funding strategies and whether such shifts represent a long-term transformation in the philanthropic sector.

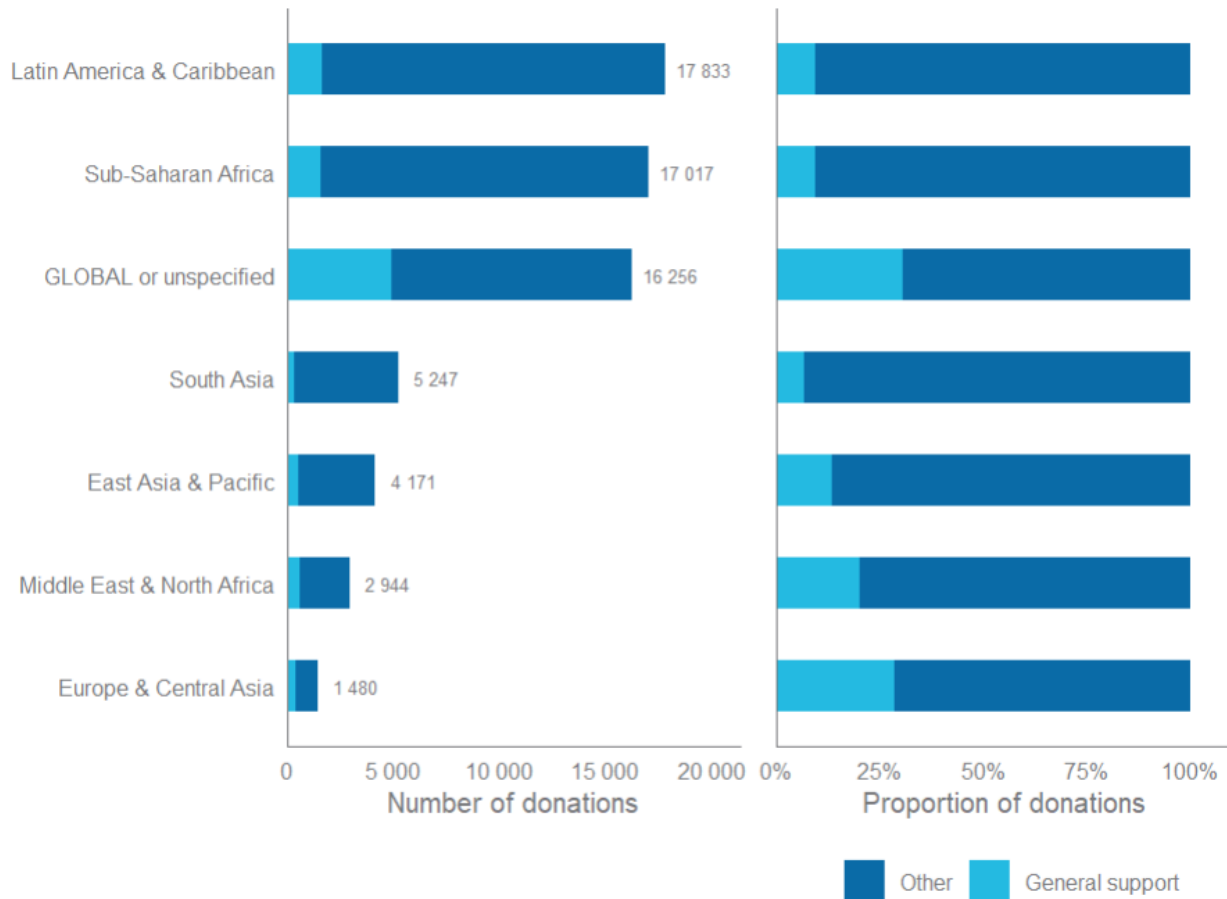
- *Analyse the likelihood of specific grantees, and types of grantees (e.g. NGOs, universities, international organisations) receiving flexible funding.* Most importantly, further analysis should delve deeper into specific recipients of philanthropic funding. It could analyse which organisations receive flexible funding, where they are based, in which topics they work, and how this can change towards or away from flexibility over time. Additional research can show how trust between philanthropic donors and grantees is built through time, contributing to a better understanding of funding decisions and how they can be improved across a diverse range of grantees.
- *Extend the analysis to other sources of development finance.* Questions about the deployment of flexible funding can be relevant for other types of development finance, such as official development assistance (ODA). Comparing philanthropic funding with bilateral and multilateral donors might yield a better understanding of the practical challenges of deploying development finance. It could also shed light on how new practices in one area can be applied elsewhere.

Annex A. Glossary

Term	Definition	Source
Core funding	“Flexible funding for organisational administration and development, to increase the overall financial security of organisations”. Can be divided into organisational development grants and general operating support.	MAVA Foundation (Ba et al., 2023 ^[8])
Donor collaboratives	Partnerships involving at least two private donors that allocate financial resources to a common objective, or to an organisation, before deploying the funding.	OECD Centre on Philanthropy (OECD, 2021 ^[27])
Earmarked grant	“A grant that is given under the condition that it can only be used for a specific purpose”.	OECD (Bergvall et al., 2006, p. 116 ^[6])
Emergency funding	Given “in the event of a crisis (e.g. COVID-19) for organisations to be more resilient and able to overcome the crisis”.	MAVA Foundation (Ba et al., 2023 ^[8])
General operating support	Core funding that is fully flexible and can be used at the grantees’ discretion.	Laudes Foundation (MacLeod, 2021 ^[9])
Organisational development grants	Core funding given to strengthen a grantee organisation’s leadership, financial management or other agreed-upon aspects of its organisational development.	Laudes Foundation (MacLeod, 2021 ^[9])
Programmatic funding	“Flexible funding granted in the context of the existing strategic plan of an organisation – either at the level of a programme or the whole organisation”.	MAVA Foundation (Ba et al., 2023 ^[8])
Trust-based philanthropy	“An approach to giving that addresses the inherent power imbalances between funders, nonprofits, and the communities they serve...On a practical level, this includes multi-year unrestricted giving, streamlined applications and reporting, and a commitment to building relationships based on transparency, dialogue and mutual learning.”	Trust-Based Philanthropy Project (Trust-Based Philanthropy Project, 2022, p. 1 ^[2])

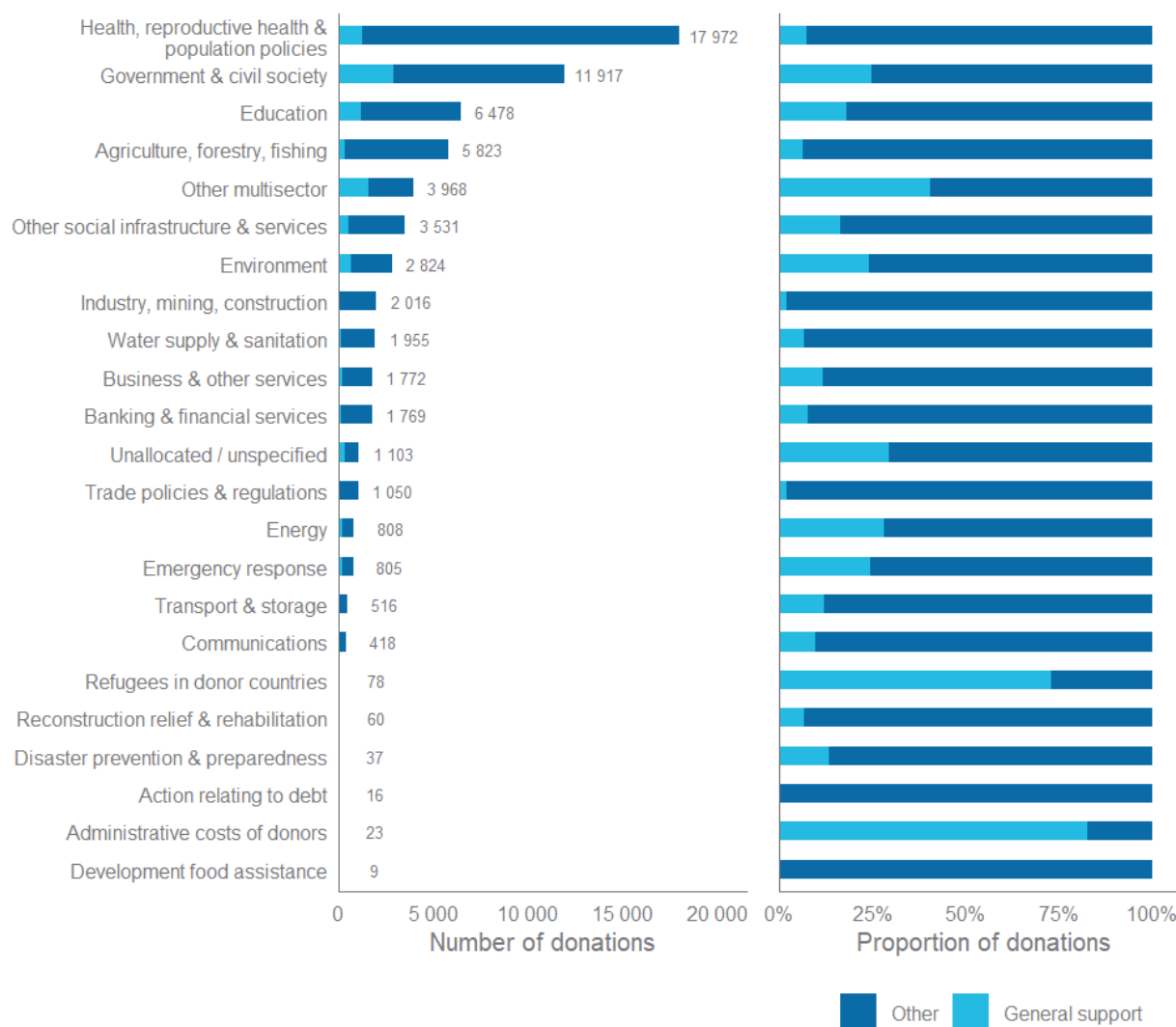
Annex B. Data

Figure A B.1. Flexible funding in philanthropy by geographical regions



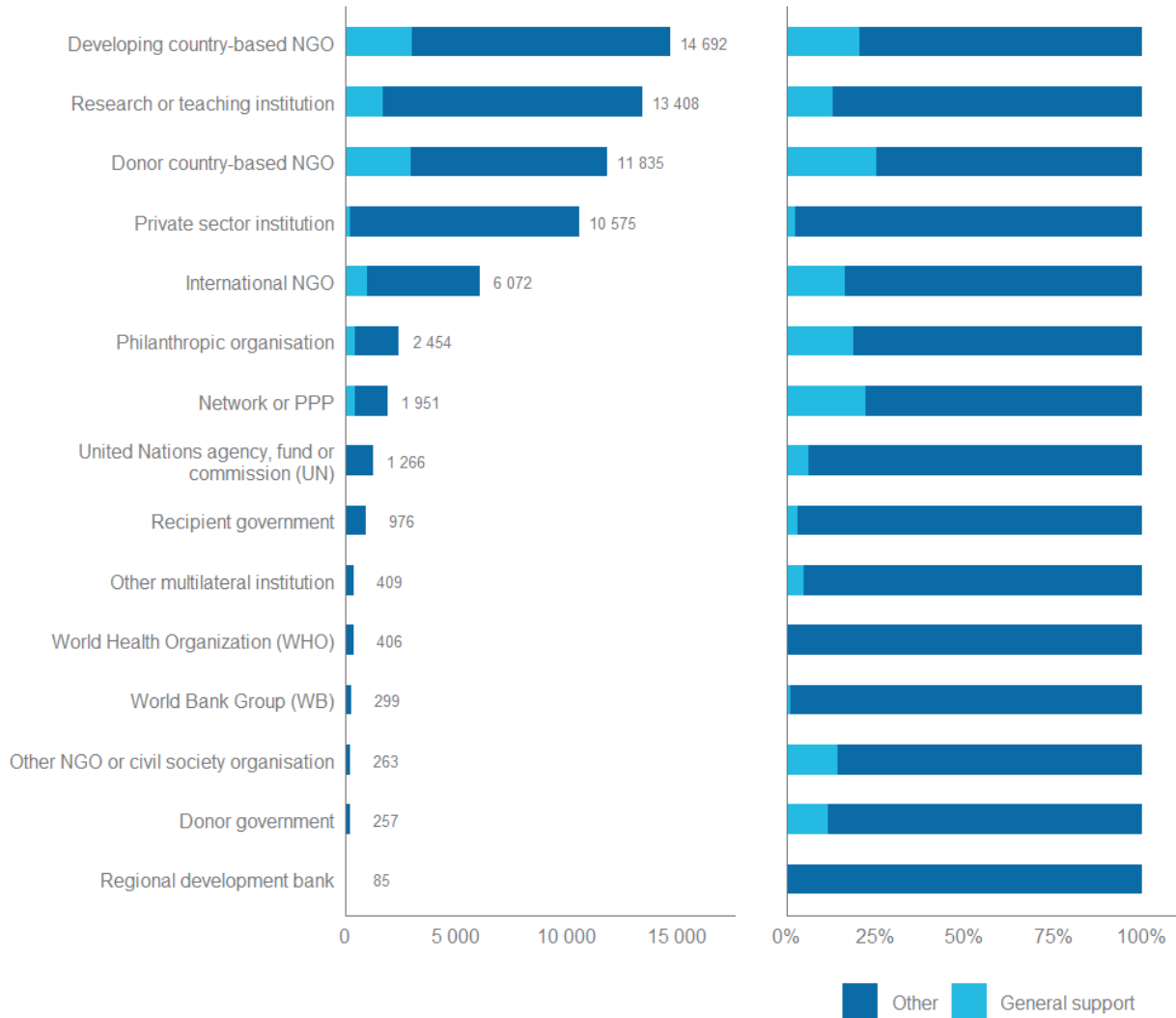
Source: Authors' elaboration based on (OECD, 2021^[36]).

Figure A B.2. Flexible funding in philanthropy by development sector



Source: Authors' elaboration based on (OECD, 2021^[36]).

Figure A B.3. Flexible funding in philanthropy by organisation type



Note: NGOs = non-governmental organisations. PPP = public-private partnership.
 Source: Authors' elaboration based on (OECD, 2021^[36]).

Table A B.1. Data on large international philanthropic donor portfolios

Sources of information for the portfolio analysis

Organisation name	Country	Period covered	Source of data
Arcadia Fund	United Kingdom	2002-22	Arcadia Fund (n.d.), "Grants Directory", www.arcadiafund.org.uk/grant-directory (accessed 15 December 2023)
Atlantic Philanthropies	United States	1982-2019	The Atlantic Philanthropies (n.d.), "Grants" (database), www.atlanticphilanthropies.org/grants (accessed 15 December 2023)
Bill & Melinda Gates Foundation	United States	1994-2022	Bill & Melinda Gates Foundation (n.d.), "Committed grants" (database), www.gatesfoundation.org/about/committed-grants (accessed 15 December 2023)
Charles Stewart Mott Foundation	United States	2015-21	ProPublica (n.d.), "Charles Stewart Mott Foundation", https://projects.propublica.org/nonprofits/organizations/381211227 (accessed 15 December 2023)
Comic Relief	United Kingdom	2015-22	360Giving (n.d.), "GrantNav", https://grantnav.threesixtygiving.org/ (accessed 15 December 2023)
Conrad N. Hilton Foundation	United States	2008-22	Conrad N. Hilton Foundation (n.d.), "Grants" (database), www.hiltonfoundation.org/grants/ (accessed 15 December 2023)
David and Lucile Packard Foundation	United States	2018-22	ProPublica (n.d.), "David and Lucile Packard Foundation", https://projects.propublica.org/nonprofits/organizations/942278431 (accessed 15 December 2023)
Ford Foundation	United States	2006-21	ProPublica (n.d.), "Ford Foundation", https://projects.propublica.org/nonprofits/organizations/131684331 (accessed 15 December 2023)
Gatsby Charitable Foundation	United Kingdom	2000-20	360Giving (n.d.), "GrantNav", https://grantnav.threesixtygiving.org/ (accessed 15 December 2023)
Good Ventures	United States	2012-22	Good Ventures (n.d.), "Grants" (database), www.goodventures.org/our-portfolio/grants-database/ (accessed 15 December 2023)
Gordon and Betty Moore Foundation	United States	2001-22	ProPublica (n.d.), "Gordon and Betty Moore Foundation", https://projects.propublica.org/nonprofits/organizations/943397785 (accessed 15 December 2023)
IKEA Foundation	Netherlands	2016-22	IKEA Foundation (n.d.), "Grants" (database), https://ikeafoundation.org/grants/ (accessed 15 December 2023)
Oak Foundation	Switzerland	2017-22	Oak Foundation (n.d.), "Grants" (database), https://oakfnd.org/grant-database/ (accessed 15 December 2023)
The Andrew W Mellon Foundation	United States	2016-21	ProPublica (n.d.), "Andrew W Mellon Foundation", https://projects.propublica.org/nonprofits/organizations/131879954 (accessed 15 December 2023)
The Kresge Foundation	United States	2016-21	ProPublica (n.d.), "Kresge Foundation", https://projects.propublica.org/nonprofits/organizations/381359217 (accessed 15 December 2023)
The Rockefeller Foundation	United States	2014-22	ProPublica (n.d.), "Rockefeller Foundation", https://projects.propublica.org/nonprofits/organizations/273156390 (accessed 15 December 2023)

The Wellcome Trust	United Kingdom	2005-22	The Wellcome Trust (n.d.), "Funded People and Projects", https://wellcome.org/grant-funding/funded-people-and-projects (accessed 15 December 2023)
Tudor Trust	United Kingdom	2013-22	360Giving (n.d.), "GrantNav", https://grantnav.threesixtygiving.org/ (accessed 15 December 2023)
W.K. Kellogg Foundation	United States	2008-22	ProPublica (n.d.), "W. K. Kellogg Foundation", https://projects.propublica.org/nonprofits/organizations/381359264 (accessed 15 December 2023)
William and Flora Hewlett Foundation	United States	2013-21	ProPublica (n.d.), "William and Flora Hewlett Foundation", https://projects.propublica.org/nonprofits/organizations/941655673 (accessed 15 December 2023)

Annex C. Probability of flexible giving analysis

The model built to study the characteristics of flexible vs. non-flexible donations is a mixed-effect Bayesian logit regression model with the following specification:

$$Y_i \sim \text{Bernoulli}(\pi_i)$$

with $\log\left(\frac{\pi_i}{1 - \pi_i}\right) = \beta_0 + \beta_1 \cdot \text{channel type} \times \log(\text{amount}) + \beta_3 \cdot \text{year} + \beta_4 \cdot \text{sector}$

$$+ u_{\text{source}} + u_{\text{grantee region}} + u_{\text{year}} + u_{\text{donor}} + u_{\text{donor country}}$$

Priors:

For coefficients: $\beta \sim \text{Normal}(0, 5)$

For standard deviations: $\text{sd} \sim \text{Cauchy}(0, 5)$

For intercepts: $\text{Intercept} \sim \text{Normal}(0, 5)$

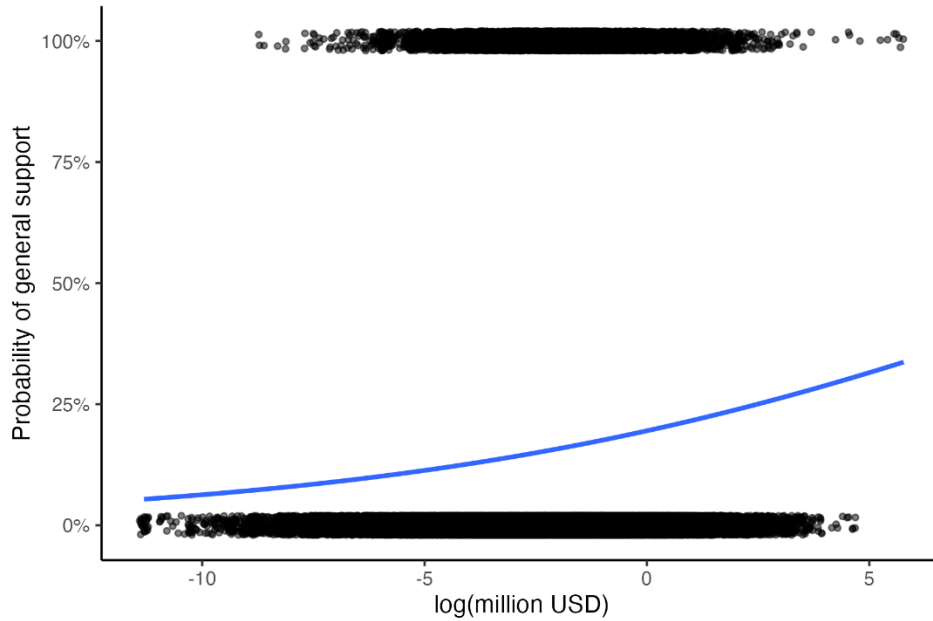
Where Y_i is a binary indicator, set to 1 if grant/project i is flexible and 0 otherwise. Flexibility is determined by the presence of “general support” or its synonyms in the grant/project’s title or description (see Table 3.1). π_i is the probability that grant/project i is flexible.

The model is estimated using CmdStanR and the analysis used the libraries *cmdstanr* (Gabry, Češnovar and Johnson, 2023^[40]), *brms* (Bürkner, 2017^[41]), *bayesplot* (Gabry and Mahr, 2022^[42]), *loo* (Vehtari et al., 2023^[43]), *marginalEffects* (Arel-Bundock, 2023^[44]) and *sjPlot* (Lüdtke, 2023^[45]).

Code for the model using brms syntax:

```
fit_logit <- brms::brm(
  bf(gos ~ channel_type*log(usd_extended_d) + (1|source) + year + sector + (1|year) +
  (1|official_name) + (1|donor_country) + (1|region)),
  data = df,
  family = bernoulli(link = "logit"),
  prior = c(
    set_prior("normal(0, 5)", class = "b"),
    set_prior("cauchy(0, 5)", class = "sd"),
    set_prior("normal(0, 5)", class = "Intercept")),
  chains = 4,
  iter = 5000,
  warmup = 1000,
  cores = 4,
  seed = 1234,
  control = list(adapt_delta = 0.9),
  backend = "rstan"
)
```

Figure A C.1. Scatter plot of the dummy variable for general support with a logistic regression line



Note: The plot shows data points from the dummy variable for general support at various levels of funding in *Private Philanthropy for Development* (2016-19). The blue line represents the logistic regression fit, or the expected probability of general support given different grant amounts on a logarithmic scale.

Source: Authors' elaboration based on (OECD, 2021_[36]).

Table A C.1. Confusion matrix for the Bayesian logit regression model of general support

		<i>Predicted</i>		
		Earmarked	Flexible	Total
<i>Observed</i>	Earmarked	53 966 (98.4%)	865 (1.6%)	54 831 (100%)
	Flexible	3 257 (32.2%)	6 860 (67.8%)	10 117 (100%)
	Total	57 223 (88.1%)	7 725 (11.9%)	64 948 (100%)

Note: The model correctly classifies 60 826 of the 64 948 total test cases. Thus, the overall classification accuracy rate is 93.7% (60 826 / 64 948). With a classification rule setting the cut-off at 50%, sensitivity is 67.8% and specificity is 98.4%.

Source: Authors' elaboration based on (OECD, 2021_[36]).

Table A C.2. Probability of a flexible donation: Results from the logit regression model

Predictors	General support	
	Probabilities	CI (95%)
Intercept	0.12	0.00 – 0.95
channel_typeDonorcountry-basedNGO	0.43	0.39 – 0.48
channel_typeDonorgovernment	0.06	0.01 – 0.25
channel_typeInternationalNGO	0.42	0.38 – 0.47
channel_typeNetworkorPPP	0.52	0.45 – 0.58
channel_typeOthermultilateralinstitution	0.35	0.22 – 0.48
channel_typeOtherNGOorcivilsocietyorganisation	0.2	0.08 – 0.44
channel_typePhilanthropicorganisation	0.12	0.08 – 0.19
channel_typePrivatesectorinstitution	0.06	0.04 – 0.11
channel_typeRecipientgovernment	0.11	0.04 – 0.24
channel_typeRegionaldevelopmentbank	0	0.00 – 0.10
channel_typeResearchorteachinginstitution	0.28	0.24 – 0.33
channel_typeUnitedNationsagencyfundorcommissionUN	0.13	0.08 – 0.19
channel_typeWorldBankGroupWB	0.07	0.01 – 0.18
channel_typeWorldHealthOrganisationWHO	0.01	0.00 – 0.06
logusd_extended_d	0.58	0.57 – 0.60
source: Domestic	0.02	0.00 – 0.62
year2017	0.49	0.01 – 0.99
year2018	0.51	0.01 – 0.99
year2019	0.56	0.01 – 1.00
sectorActionrelatingtodebt	0.07	0.00 – 0.91
sectorAdministrativecostsofdonors	0.64	0.12 – 0.97
sectorAgricultureforestryfishing	0.35	0.28 – 0.43
sectorBanking&financialservices	0.52	0.42 – 0.62
sectorBusiness&otherservices	0.47	0.39 – 0.56
sector: Communications	0.71	0.57 – 0.81
sectorDevelopmentfoodassistance	0.07	0.00 – 0.89
sectorDisasterprevention&preparedness	0.49	0.16 – 0.79
sector: Education	0.47	0.40 – 0.54
sectorEmergencyresponse	0.4	0.31 – 0.50
sector: Energy	0.59	0.50 – 0.68
sector: Environment	0.41	0.34 – 0.49
sectorGovernment&civilsociety	0.56	0.50 – 0.62
sectorHealthreproductivehealth&populationpolicies	0.42	0.36 – 0.49
sectorIndustryminingconstruction	0.39	0.28 – 0.51
sectorOthermultisector	0.54	0.46 – 0.61
sectorOthersocialinfrastructure&services	0.45	0.38 – 0.52
sectorReconstructionrelief&rehabilitation	0.05	0.01 – 0.12
sectorRefugeesindonorcountries	0.59	0.22 – 0.87
sectorTradepolicies@ulations	0.48	0.25 – 0.69
sectorTransport&storage	0.67	0.57 – 0.77
sectorWatersupply&sanitation	0.39	0.29 – 0.50
channel_typeDonorcountryMbasedNGO:logusd_extended_d	0.48	0.46 – 0.49

channel_typeDonorgovernment:logusd_extended_d	0.33	0.21 – 0.47
channel_typeInternationalNGO:logusd_extended_d	0.47	0.45 – 0.48
channel_typeNetworkorPPP:logusd_extended_d	0.49	0.46 – 0.52
channel_typeOthermultilateralinstitution:logusd_extended_d	0.59	0.54 – 0.65
channel_typeOtherNGOorcivilsocietyorganisation:logusd_extended_d	0.37	0.28 – 0.46
channel_typePhilanthropicorganisation:logusd_extended_d	0.41	0.38 – 0.45
channel_typePrivatesectorinstitution:logusd_extended_d	0.41	0.36 – 0.46
channel_typeRecipientgovernment:logusd_extended_d	0.39	0.30 – 0.48
channel_typeRegionaldevelopmentbank:logusd_extended_d	0.61	0.06 – 0.98
channel_typeResearchorteachinginstitution:logusd_extended_d	0.48	0.46 – 0.51
channel_typeUnitedNationsagencyfundorcommissionUN:logusd_extended_d	0.53	0.47 – 0.59
channel_typeWorldBankGroupWB:logusd_extended_d	0.56	0.34 – 0.77
channel_typeWorldHealthOrganisationWHO:logusd_extended_d	0.7	0.43 – 0.85

Random Effects

	σ^2	3.29
	T00 donor_country	17.21
	T00 official_name	36.04
	T00 region	0.39
	T00 year	3.99
	ICC	0.95
	N year	4
	N official_name	180
	N donor_country	29
	N region	7
<hr/>		
	Observations	64948
	Marginal R ² / Conditional R ²	0.046 / 0.641

Annex D. Flexible funding portfolio analysis

The model built to describe flexible portfolios is a zero-inflated beta regression (Ferrari and Cribari-Neto, 2004^[46]; Ospina and Ferrari, 2012^[47]), using the annual giving of foundations, the number of grantees each year and their country of origin.

The beta likelihood allows to model the proportion of flexible funding as a continuous variable bounded between (0,1), while the zero-inflated component allows to account for years in which foundations did not provide any flexible funding, which are the most common, so their flexible portfolio was zero. The model includes fixed effects, the logarithm of total giving, the logarithm of the number of grantees, specific years, and the individual philanthropic donors and their countries of origin. Additionally, it incorporates random effects for each philanthropic donor, allowing for variations by philanthropic donor within each year. This structure captures both overall trends and individual variations among philanthropic donors over time.

The model is parametrised with a log function for the ϕ and logit for μ and p , and priors for all parameters are described below.

The model is estimated using RStan and the analysis used the libraries *rstan* (Stan Development Team, 2023^[48]), *brms* (Bürkner, 2017^[41]), *bayesplot* (Gabry and Mahr, 2022^[42]), *loo* (Vehtari et al., 2023^[43]), *marginalEffects* (Arel-Bundock, 2023^[44]) and *sjPlot* (Lüdecke, 2023^[45]).

General Support portfolio \sim Beta($\mu_{i,t}$, $\phi_{i,t}$)

Main Model (mean of Beta distribution):

$$\begin{aligned} \text{logit}(\mu_{i,t}) = & \beta_0 + \beta_1 \cdot \log(\text{total giving}_{i,t}) + \beta_2 \cdot \log(\text{grantees}_{i,t}) \\ & + \beta_3 \cdot \text{year} + \beta_4 \cdot \text{donor}_{i,t} + \beta_5 \cdot \text{donor_country}_{i,t} + u_{\text{donor}} + u_{\text{year:donor}} \end{aligned}$$

Precision Beta (Phi):

$$\begin{aligned} \log(\phi_{i,t}) = & \gamma_0 + \gamma_1 \cdot \log(\text{total giving}_{i,t}) + \gamma_2 \cdot \log(\text{grantees}_{i,t}) \\ & + \gamma_3 \cdot \text{year} + \gamma_4 \cdot \text{donor}_{i,t} + \gamma_5 \cdot \text{donor_country}_{i,t} + v_{\text{donor}} + v_{\text{year:donor}} \end{aligned}$$

Zero-Inflation Model (Zi):

$$\begin{aligned} \text{logit}(p_{zi}) = & \delta_0 + \delta_1 \cdot \log(\text{total giving}_{i,t}) + \delta_2 \cdot \log(\text{grantees}_{i,t}) \\ & + \delta_3 \cdot \text{year} + \delta_4 \cdot \text{donor}_{i,t} + \delta_5 \cdot \text{donor_country}_{i,t} + w_{\text{donor}} + w_{\text{year:donor}} \end{aligned}$$

Priors:

For Fixed Effects Coefficients: $\beta, \gamma, \delta \sim \text{Normal}(0, 5)$

For Standard Deviations of Random Effects: $\text{sd} \sim \text{Cauchy}(0, 5)$

For Correlations of Random Effects: $\text{cor} \sim \text{LKJ}(1)$

For Intercepts: $\text{Intercept} \sim \text{Normal}(0, 5)$

Code for the model using brms syntax:

```

### Define priors ###
zib_priors <- c(
  # Priors for the fixed effects coefficients
  set_prior("normal(0, 5)", class = "b"),
  set_prior("normal(0, 5)", class = "b", dpar = "phi"),
  set_prior("normal(0, 5)", class = "b", dpar = "zi"),

  # Priors for the standard deviations of random effects
  set_prior("cauchy(0, 5)", class = "sd"),
  set_prior("cauchy(0, 5)", class = "sd", dpar = "phi"),
  set_prior("cauchy(0, 5)", class = "sd", dpar = "zi"),

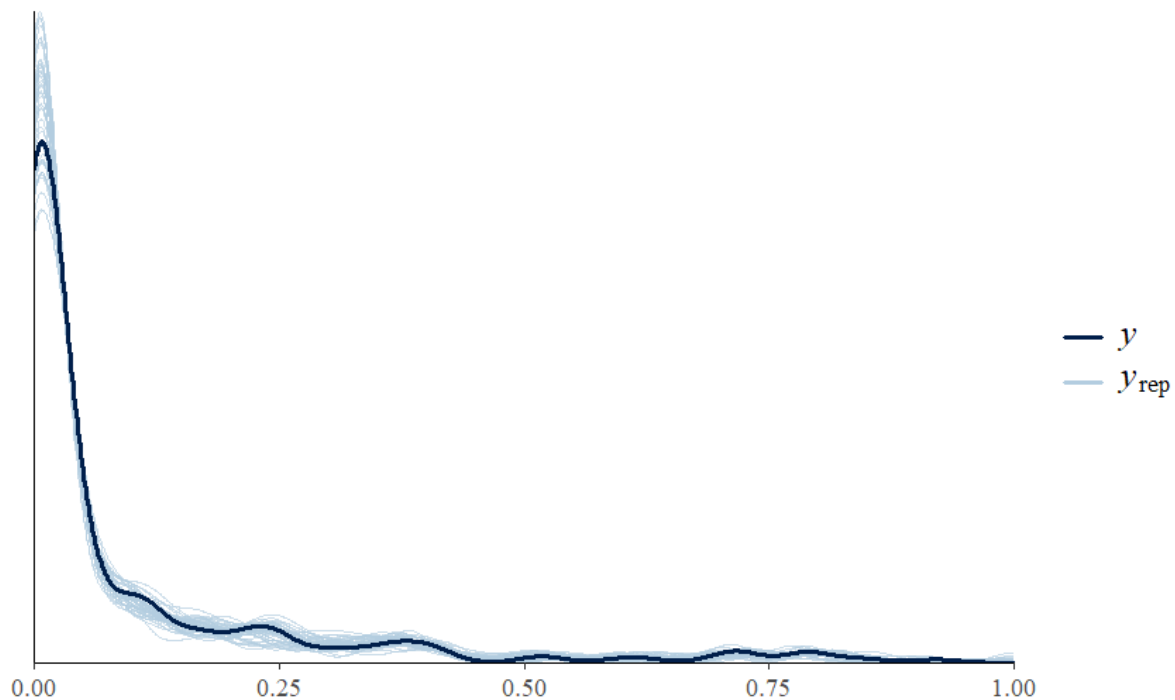
  # Priors for the correlations of random effects
  set_prior("lkj(1)", class = "cor"),

  # Priors for the intercept terms
  set_prior("normal(0, 5)", class = "Intercept"),
  set_prior("normal(0, 5)", class = "Intercept", dpar = "phi"),
  set_prior("normal(0, 5)", class = "Intercept", dpar = "zi")
)

### Model ###
fit_zib <- brms::brm(
  formula = bf(
    donor_gsf_ratio ~ log(donor_year) + log(n_grantees) + year + donor + donor_country + (1 +
donor|year),
    phi ~ log(donor_year) + log(n_grantees) + year + donor + donor_country + (1 +
donor|year),
    zi ~ log(donor_year) + log(n_grantees) + year + donor + donor_country + (1 +
donor|year)),
  family = zero_inflated_beta(link = "logit", link_phi = "log", link_zi = "logit"),
  data = df,
  prior = zib_priors,
  chains = 4,
  iter = 5000,
  warmup = 1000,
  cores = 4,
  seed = 1234,
  control = list(adapt_delta = 0.9),
  backend = "rstan"
)

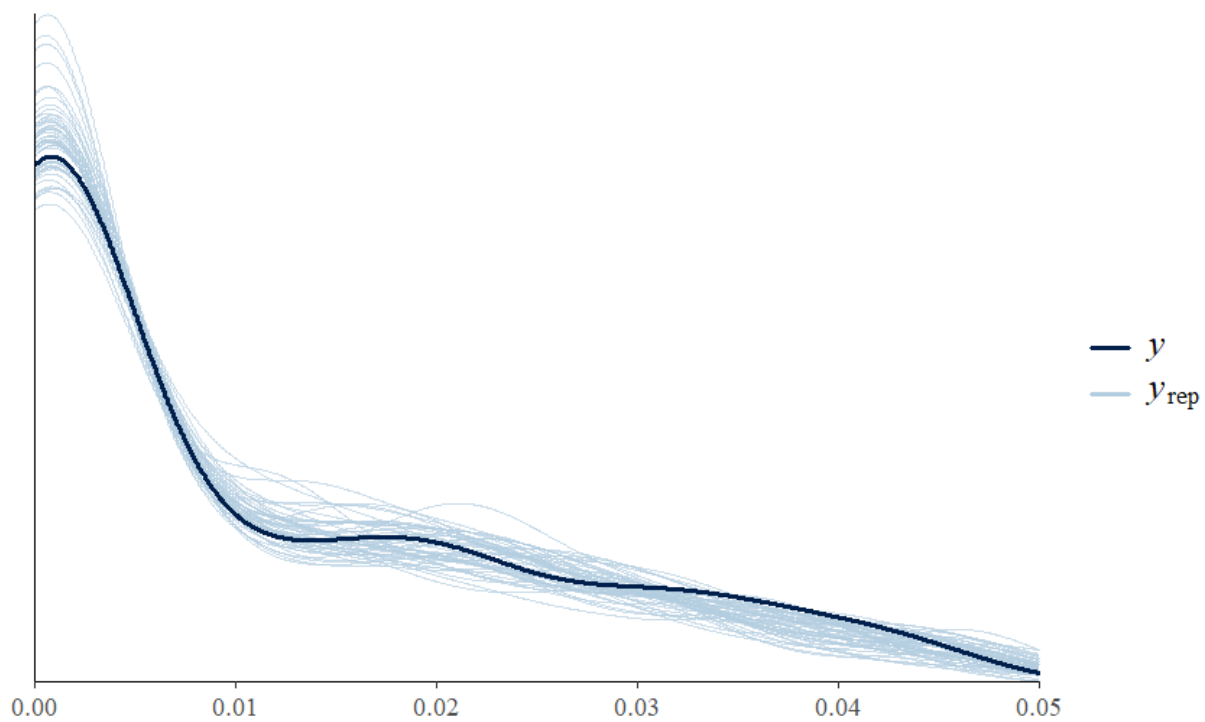
```

Figure A D.1. Posterior predictive check



Source: Authors' elaboration.

Figure A D.2. Posterior predictive check – for estimated proportions in the [0,0.05] range



Source: Authors' elaboration.

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The Development Centre occupies a unique place within the OECD and in the international community. It provides a platform where developing countries and emerging economies interact on an equal footing with OECD members to promote knowledge sharing and peer learning on sustainable and inclusive development. The Centre combines multidisciplinary analysis with policy dialogue to help governments formulate innovative policy solutions to the global challenges of development. Hence, the Centre plays a key role in the OECD's engagement efforts with non-member countries.

To increase the impact and legitimacy of its work, the Centre adopts an inclusive approach and engages with a variety of governmental and non-governmental stakeholders. It works closely with experts and institutions from its member countries, has established partnerships with key international and regional organisations, and hosts networks of private-sector enterprises, think tanks and foundations working for development. The results of its work are discussed in experts' meetings, as well as in policy dialogues and high-level meetings. They are published in a range of high-quality publications and papers for the research and policy communities.

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Private philanthropy is a growing source of funding for middle- and low-income countries – supporting global public health, education, agriculture, gender equality or clean energy. However, reliable, comparable and publicly available information on philanthropic funding, priorities and behaviours is surprisingly scarce. This lack of data and evidence has limited philanthropy's potential to engage, collaborate or co-fund key issues outlined in Agenda 2030, together with other actors working in developing countries and emerging economies.

The OECD Centre on Philanthropy contributes to the global demand for more and better data and analysis on global philanthropy for development. It seeks to bring together relevant efforts from existing research centres and projects, expand the OECD database, and provide research and analysis on global trends and impact of philanthropy for development in the context of the 2030 Agenda.

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Data and analysis
for development

