

Executive Summary

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In November 2012, WIEGO commissioned a consultant to conduct research on donor trends to help inform its strategy and decision-making and to address future funding needs. Five years later and in light of recent events such as the adoption of the Sustainable Development Goals (SDGs) and the New Urban Agenda (NUA) and changes in the external environment, this paper seeks to provide an update on donor trends. Key topics discussed include current funding trends by official donors, the new funding context inspired by the SDGs and NUA, the impact of external events on donor funding, sector-specific funding trends related to gender equality/women's economic empowerment and funding trends in private philanthropy. A summary of the key findings is provided below:

Trends in Official Development Assistance

- *Net Official Development Assistance (ODA) flows from member countries of the Development Assistance Committee (DAC) reached the highest level ever in 2016:* net ODA flows reached USD 142.6 billion, representing an 8.9% increase from 2015 when adjusted for exchange rates and inflation (OECD, 2017).
- *Most DAC member countries continue to fall short of commitments to contribute 0.7% of their country's Gross National Income (GNI) to aid:* In 2016, ODA collectively contributed by DAC countries represented 0.32% of donor GNI, a slight increase from 2015 levels (0.3%). Only Denmark, Germany, Luxembourg, Norway, Sweden and the United Kingdom reached the 0.7% target in 2016 (Ibid).
- *Much of the increase in ODA levels can be attributed to the need to respond to the Syrian refugee crisis:* In-donor refugee costs represented 10.8% of ODA in 2016, almost double 2014 levels. When refugee costs are excluded, net ODA still grew 7.1% in real terms between 2015 and 2016 (Ibid). The crisis has led some European countries – such as Sweden and Denmark - to reduce bilateral/multilateral aid or other programming in an effort to balance rising refugee costs.
- *DAC countries are likely to place renewed geographical focus on ODA to least developed countries (LDCs):* Most DAC countries still fall short of the United Nations target to allocate 0.15% of their GNI as net ODA to LDCs. Net ODA flows to LDCs fell from 0.10% of DAC country GNI in 2013 to 0.09% in 2014 (OECD, 2016). And, in 2016, bilateral net ODA to LDCs fell by 3.9% in real terms compared to 2015 levels (OECD, 2017). The Addis Ababa Agenda for Action (the global framework for financing the post-2015 agenda) contains renewed commitments to dedicate 0.15-0.20% of ODA/GNI to LDCs so the amount of aid directed to LDCs is expected to increase going forward (United Nations, 2015). The Addis Ababa Agenda also contains references to the special needs of landlocked developing countries, small island developing States, African countries and middle-income countries.

Issues in the External Environment

- *Brexit is likely to impact UK charities' eligibility for EU funds, increase competition for funds within the UK:* Some EU funding instruments include requirements for NGOs to be registered in a member state of the EU as part of their eligibility criteria. UK registered charities will likely become ineligible to apply for some EU funding instruments as a result which may increase competition for remaining EU funding instruments and for funding within the UK.

- *President Trump's proposed budget cuts to USAID, the State Department and UN agencies could produce knock-on effects for NGOs:* Funding cuts could have a negative trickle-down effect whereby there is a smaller pot of funds for both large and small NGOs who receive sub-grants from INGOs, multilateral organizations, development banks, etc (Alonzi, 2017). This could increase competition for remaining funds within the US and internationally as more NGOs who previously relied on USAID turn to international funders. Agencies which risk being cut altogether through the proposed budget include the Inter-American Foundation and the African Development Foundation.

Trends Related to the SDGs and the NUA

- *Many donor countries are still in the early stages of analyzing how the SDGs fit into their development policies:* The EU, Canada, Netherlands and Sweden are currently updating their development policies to promote the implementation of the SDGs. Other DAC countries including Finland, France, Germany, Norway and the UK have either mainstreamed the SDGs into their already existing development cooperation efforts or updated their development policies. The review did not find any new SDG-related funding opportunities.
- *Finland and Germany's approach to SDG 5 (gender equality) appear to be aligned with MBO priorities:* Finnish development policy will promote actions related to women's political decision-making and participation in the economy by working with the local private sector and international partners to help women find employment, work as entrepreneurs, own property and participate in the economy. Germany's Development Policy Action Plan on Gender Equality 2016-2020 details several actions to promote gender equality and decent work including commissioning projects that, "focus on promoting political participation by women and self-advocacy organizations" and are "aimed principally at gender equality in order to improve women's economic participation and benefit gender impacts".
- *Countries reviewed seem to emphasize "supply side" or private sector oriented approaches in implementing SDG 8 (decent work):* Approaches listed in implementing SDG 8 included access to banking (France), vocational training (France and Germany), improving the business environment and influencing international corporate taxation practices (Finland), education initiatives to reduce child labour (Norway) and work with multilateral institutions (Norway and the UK), among others. France's report on SDG implementation does make mention of a renewed partnership with the ILO to roll out programmes related to formalizing the informal economy, social protection, child labour and CSR (among other areas) which could be of relevance to MBO partners.
- *There is little information on how the NUA is being implemented so far:* Most country commitments to implement the NUA in the online Quito Implementation Platform are tied to pre-existing efforts. Argentina, Australia, Hungary, Netherlands, New Zealand and almost 30 countries are developing national urban policies which could be seen as a first step towards implementing the NUA. The International Conference on National Urban Policy hosted by the OECD in May 2017 which will focus on national progress towards implementing the SDGs and NUA is likely to provide additional information on implementation efforts to date.

Trends in Funding Gender Equality

- *Gender-focused aid reached an all-time high in 2014 but only a small portion was targeted at women's rights organizations and most gender-focused aid is mainstreamed:* In 2014, DAC countries dedicated USD 35.5 billion to gender-focused aid but just 0.5% (USD 192 million) was targeted at women's rights organizations (OECD DAC Network on Gender Equality, 2016). Though gender-focused aid is increasing, most of this increase can be attributed to aid for projects where gender is

mainstreamed rather than a principal objective. In its analysis of gender funding for 2013-14, the OECD DAC Network on Gender Equality finds that less than one-fifth of gender-focused aid has gender equality as a principal objective (OECD, 2016b).

- *Significant gaps identified in funding gender equality:* Research by the OECD DAC Network on Gender Equality identified funding gaps for priority areas under SDG 5: women's economic empowerment, family planning, women's participation & leadership and women, peace and security (OECD DAC Network on Gender Equality, 2014). This can likely be attributed to the transition from the Millennium Development Goals (MDGs) where, between 2002-12, most aid in support of gender equality and women's empowerment was allocated to education and health (Ibid).
- *Increased competition, funding to fewer, larger women's rights organizations:* Estimates from the UN-Women Trust Fund on Gender Equality (FGE) point to intense competition for limited funds: only 1.25% of proposals received are funded. The DAC Network on Gender Equality indicates that lack of gender expertise, pressures to keep costs low may be driving donors to fund a smaller number of large NGOs or INGOs.
- *Less core funding, mismatch in donor & NGO priorities:* A survey by AWID of over 1,100 women's rights organizations found 48% had never received core funding. The same study found strategic NGO priorities - such as leadership development, networking/alliance building, organization of convenings and dialogues, and movement building – were not frequently supported by most donors. This seems to be in line with an emphasis by some donors to fund activities which demonstrate “value for money” and maximum impact.

Trends in Women's Economic Empowerment

- *Despite increases in aid commitments to women's economic empowerment (WEE), it continues to be underfunded:* Aid committed by DAC members to WEE¹ in 2013-14 reached approximately USD 8.8 billion representing the first increase in aid for gender equality in the economic and productive sectors since 2007 (OECD DAC Network on Gender Equality, 2016). But, when measured as a proportion of the total aid to the economic and productive sectors, gender-focused aid represents only 24% of the total – the same level as in 2007 (Ibid).
- *Most gender-focused aid in the economic and productive sectors is mainstreamed:* In 2013-14, only 2% of aid commitments in the economic and productive sectors had gender equality as a principal objective. This percentage has remained largely unchanged since 2009-10. This means that in most cases, gender equality is merely mainstreamed as a secondary objective in initiatives in the economic and productive sectors and therefore may be less responsive to women's gender-specific interests and needs.
- *Most gender-focused aid is concentrated in “social sectors” with underinvestment in the economic and productive sectors:* The OECD DAC Network on Gender Equality reported that most gender-focused aid continues to be concentrated in “social sectors” such as health and education with “underinvestment” in the economic and productive sectors. The gender-focused aid in the economic and productive sectors goes to agriculture and rural development (43%), followed by banking and

¹ The OECD DAC Network on Gender Equality defines aid to women's economic empowerment as DAC aid to the economic and productive sectors that targets gender equality as a principle or significant (secondary) objective.

business (17%), transport and storage (12%), energy (9%) and other² (19%) (Ibid).

Trends in Private Philanthropy for Development

- *Private philanthropy for development is significant in size but unlikely to outpace ODA levels:* An OECD DAC survey found that between 2013-15, 70 private foundations from the United States, the UK, Netherlands, India, Brazil, Mexico and other European countries gave USD 19.5 billion to development initiatives (OECD DAC, 2017). Though funds from private philanthropy to development initiatives are significant and have increased in real terms in the last 10 years, they are unlikely to outpace ODA levels in the near future (Missika & Romon, 2014).
- *Health and education are the priority sectors for many private foundations:* In its survey of private foundations, the OECD DAC found that most funds from survey participants were targeted for initiatives related to health and reproductive health & population (which covers infectious disease control, basic healthcare provision, malaria control, STD control, medical research and reproductive health care). However, when the activities of the Gates Foundation are excluded, the top three sectors include government and civil society, education and health. Based on this analysis, the OECD DAC (2017) predicts that private foundations may play an important role in funding and implementing SDG3 (“ensure healthy lives and promote well-being for all at all ages”), SDG 4 (“inclusive and quality education and lifelong learning”), and SDG 16 (“peace, justice and strong institutions”) (Ibid).
- *Private philanthropy is an important source of core funding & income for women’s organizations:* The same survey of 70 private foundations found that 17% of total giving was allocated as core contributions to multilaterals, NGOs or research institutes. Grants from private foundations represented the second largest source of income for women’s organizations surveyed by AWID.

Based on these trends, MBOs could consider the following recommendations in their fundraising efforts:

1. Monitor forthcoming development policy documents including the “European Consensus on Development”, new development policy frameworks from Canada, the Netherlands and Sweden, the online Partnership Platform to Generate Finance Solutions for SDGs and the outcomes of the International Conference on National Urban Policy hosted by the OECD in May 2017 for additional information on potential funding mechanisms to implement the SDGs, to understand how countries are seeking to develop national urban plans, and for additional information on country-level implementation of the New Urban Agenda.
2. Review the OECD DAC’s comprehensive analysis of private philanthropy for development (to be released later in 2017) for additional insights on sectoral priorities, funders, etc.
3. Explore further opportunities to connect with donors (such as DFID) and other stakeholders to better understand what “value for money” and “maximizing impact” mean in practice and the implications for proposal writing efforts.
4. Refine and systematize efforts to track and measure the “difficult to quantify” direct impact of networking/alliance building, organizing dialogues, and movement building – all of which are of strategic interest to MBOs but which donors are less likely to fund.
5. Consider focusing increased efforts on fundraising from a broader range of private philanthropy donors as a means of obtaining additional core and programmatic funding.

²The “Other” category includes aid to urban development, trade, industry, employment policy, public finance management, mining and construction, and communications