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Global Programs
and Partnerships Group

THE WORLD BANK

FOR FURTHER INFORMATION ON
WORLD BANK/FOUNDATION PARTNERSHIPS

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Foreword

The World Bank's Foundations Unit was created in large part to restore credibility between foundations and the World Bank and to foster knowledge sharing and mutual respect in developing partnerships. Together with a Bank-wide Foundations Working Group, the Foundations Coordinator and team provide policy, strategic planning, and program guidance to the Bank's regions, sectors, and networks on establishing partnerships with foundations. Through a foundations website, monthly electronic newsletter, brochures, lectures, and working meetings, the unit helps Bank staff understand what a foundation is and how foundations work. At the same time, the unit responds to the foundation community by helping foundations understand how the Bank works, by convening Bank/foundation dialogues, and by advising on joint initiatives.

Given the size and complexity of the World Bank, there remain many staff who are not familiar with the foundation community. Consultations with colleagues across the Bank indicate that there is still some confusion about how foundations operate and there is a lack of clarity concerning the different types of foundations and how they are classified. For example, why will a partnership with the Bertelsmann Stiftung or the J. Paul Getty Trust be very different from a partnership with the Ford or John D. and Catherine T. MacArthur Foundations?

This publication, based on several case studies, is intended to go one step further in helping Bank staff understand foundations and in providing guidelines for establishing successful partnerships with foundations. It is also intended to help foundations better understand some of the modalities for establishing partnerships with the World Bank.

I hope that it will inspire stronger partnerships with foundations in addressing poverty reduction and in reaching the Millennium Development Goals.

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Introduction

The Bank’s corporate strategy on partnerships actively acknowledges the potential and importance of collaborative work with private and public foundations.¹ Over the past decade, foundations such as Gates, Ford, MacArthur, Rockefeller, Soros, Bernard van Leer, and many others have formed partnerships with the Bank that have greatly increased the effectiveness of development programs and projects. Foundations have helped to support global, regional, and local development projects in such areas as health, education, civic engagement, gender, environment, and conflict resolution.

There have been many successful Bank/foundation partnerships with valuable outcomes. Examples include the creation of (1) consortia to broaden fundraising efforts; (2) centers of excellence for research and teaching; (3) new, flexible organizations to address specific development needs; (4) innovative approaches in the field; and (5) monitoring and evaluation tools.

While the definition of a foundation may vary, the Foundation Center defines a foundation as “an entity that is established as a nonprofit corporation or a charitable trust with the principal purpose of making grants to unrelated organizations, institutions, or individuals.”²

¹ President James D. Wolfensohn, “World Bank Group Collaborations with Foundations,” memo to all World Bank staff, September 24, 1996.

² The Foundation Center is one of the most useful resources for information on U.S. foundation trends and statistics.

Successful partnerships between the World Bank and foundations have resulted in such outcomes as:

- **Consortia to broaden fundraising efforts**
- **Centers of excellence for research and teaching**
- **New, flexible organizations to address specific development needs**
- **Innovative approaches in the field**
- **Monitoring and evaluation tools**

However, there has also been a history of disappointment, missed opportunities, and stinging criticism of the Bank by foundations. In a dialogue between the Bank and the CEOs of 25 international foundations, participants expressed concern over a history of inadequate collaboration on the part of the Bank.³ The CEOs stated that World Bank staff all too often approach foundations on an ad hoc basis in a search for quick sources of funding, without sufficient information about foundations' funding priorities or commitments.⁴ They also pointed to frequent staff changes at the World Bank that make it difficult to cultivate relations and the Bank's polite, but often time consuming, delays in providing feedback on proposals and activities they have presented to the Bank.

To improve the potential of successful Bank/foundation partnerships, the CEOs stressed the importance of collaborations based on their foundations' knowledge and fieldwork experience. They stated that more effective

Foundations seek partnerships with the Bank based on their:

- **Technical expertise**
- **In-country knowledge**
- **Contacts with academia and the private sector**
- **Knowledge of civil society groups**

They prefer to be involved in the early stages of project preparation and conceptualization and, in many cases, to remain involved during the evolution of the project.

³ World Bank/European Foundation Centre, International Committee and Governing Council Dinner Dialogue, Brussels, Belgium, May 31, 2002.

⁴ Most foundations have their own websites that contain an overview of their grant program. The Bank's Foundations website (www.worldbank.org/foundations) includes a Foundation Information Center that lists foundations by area of support and provides a direct link to each foundation's website.

partnerships would be formed through the involvement of foundations at the early stages of project conceptualization and preparation. The CEOs also expressed interest in establishing more contact with Bank country staff and sector managers. Another clear message that came out of the discussion is that few foundations understand how the World Bank is structured, how it operates, and how to obtain more information about projects being planned.

This publication on good practices aims to provide a better understanding of the benefits of engaging in Bank/foundation partnerships and how best to build such partnerships. We hope that it will help guide Bank staff in developing relations with foundations and that it will also help foundations better understand some of the different modalities for engaging in partnership with the World Bank.

GOOD PARTNERSHIP PRACTICES

While planning projects or programs:

- Contact and engage foundations in the early stages of project conceptualization and preparation.
- Be prepared to adapt a proposal based on a foundation's expertise and fieldwork experience.
- Engage foundations in feasibility studies and joint planning missions whenever possible.
- If organizing a conference, workshop, or seminar, engage foundations that are to be contacted for support as co-organizers and invite them to suggest participants, topics, and speakers or to be session chairs/speakers.
- Be prepared to establish your credibility over an extended period of time.

For project/program implementation:

- Design implementation based on the comparative advantage of each partner and joint responsibilities.
- Create a Bank/foundation advisory committee to guide projects, or add a foundation representative to your program governing board.
- Consider the possibility of splitting costs for seconding a foundation expert to the Bank to ensure closer collaboration.
- Maintain open communications with partners through frequent contact, joint missions, video conferences, and email distribution lists.

INITIATING FOUNDATION PARTNERSHIPS

Four steps for task team leaders:

- Read Chapter 2 of this publication in order to understand the way in which foundations work and their full potential for value-added activities.
- Visit the Foundation Unit's website (www.worldbank.org/foundations) where lists of foundations are organized according to the countries and sectors where they are active.
- Ask the Foundation Unit for specific advice on current foundation interests and activities.
- Set up a meeting with relevant foundations early in project preparation to identify areas of mutual interest and potential for collaboration.

Partnership Opportunities and Challenges

Case study research by the Foundations Unit has shown that foundations and Bank task managers see value in forming partnerships around development goals. Consequently, it is important that Bank and foundation staff understand each partner's structure, mandates, and comparative advantages in order to design partnerships that will work to everyone's mutual satisfaction and produce the best results.

Understanding Foundations

For the purposes of this paper, a foundation is an entity that is established as a nonprofit corporation or a charitable trust with *the principal purpose of making grants* to unrelated organizations, institutions, or individuals for scientific, educational, cultural, religious, or other charitable purposes.⁵ There are two basic types of foundations—private and public. (see Annex 1: Foundation Types and Definitions).

Foundation activities are driven by a public benefit purpose and a general philanthropic impulse, which aim to improve the living conditions and quality of life of the general public and specific disadvantaged groups, as well as to promote civic initiatives and active citizenship.⁶

Like the World Bank, foundations typically engage in extensive research and analytical work to develop the program areas they fund. Unlike the World Bank,

⁵ Definition provided by the Foundation Center—a leading authority on U.S. philanthropy.

⁶ European Foundation Centre. *Working with Foundations in Europe: Why and How*. January 2001. <http://www.efc.be/ftp/public/eu/papers/EUCPaperEnglish.pdf>.

which is mandated to work through client governments, foundations work primarily with civil society and can provide funding directly to nongovernmental organizations (NGOs), or in some cases individuals. The foundation community's accumulated history and work has led to their being widely viewed as highly credible agents of social change in most of the developing world.

A report published in 2004 by the Foundation Center, entitled *International Grant Making III*, states that U.S. grantmaking foundations provided an estimated U.S. \$3 billion for cross-border and U.S.-based international programs in 2003.⁷ The report also points out that international giving on the part of U.S. foundations grew faster than foundation giving overall in 2002. Private foundations like Gates, Ford, Rockefeller, Packard, and MacArthur continue to be the largest foundations involved in international giving. However, statistics indicate that more and more small foundations are becoming engaged in international giving, particularly in areas such as HIV/AIDS. The report also states that most of the foundations participating in their survey indicated that their giving activities corresponded to at least one of the Millennium Development Goals (see back cover).

Although foundations are increasingly interested in development, the most common confusion within the Bank about foundations is the notion that foundations are quick sources of funding or that foundations, like bilateral donors, will channel money for their development priorities through the Bank. Some foundations do contribute to partnerships established by the Bank. However, many foundations prefer to exercise their own professionally developed processes for selecting and awarding individual grants that are based on their own research, program objectives, and funding cycles. Similar to the World Bank, some foundations must have grants approved by their Board of Trustees.

Most foundations also perform due diligence or conduct an assessment of potential grantees by inquiring about the applicant organization's founding documents, legal status, board structure or leadership, proposal budget, and the percentage of funding to be spent on overhead. Foundations also examine whether the organization has the expertise to carry out the grant and whether the project will be sustainable after foundation funding has ended. Legal developments since September 11, 2001, have challenged U.S. foundations to probe even deeper in performing due diligence on grantees in order to ascertain if the grantee or its board have links to groups that support terrorism (U.S. Patriot Act and Executive Order 13224). While the

⁷ The Foundation Center, *International Grant Making III*, November 2004.

antiterrorism guidelines produced by the U.S. Treasury are currently voluntary, many U.S. foundations are careful to comply with these measures, and several services have emerged that provide databases and tools for gathering this information.

The nonprofit (501c3) status of U.S. foundations requires the use of their legal agreements, with some adjustments, in establishing a Bank trust fund.

Foundations' Value Added

Like the World Bank, an increasing number of foundations are interested in the issues of globalization, the roots of poverty, and the Millennium Development Goals. Thus, there is great opportunity for the strategic alignment of foundation expertise and activities around areas of mutual concern.

Due to their independence and flexibility, foundations can engage in cutting edge research, move quickly to capitalize on development opportunities, test innovative ideas, and take risks. Often positioned as intermediaries, foundations can also provide a neutral space to bring civil society, business, and government together around critical community issues. Foundations help to build and strengthen the infrastructure of civil society by increasing the capacity of local nonprofit organizations and grassroots initiatives. They can help develop evaluation tools and enable networking. They are also in a good position to play a catalytic role between private or public investors and social enterprises or entrepreneurs by providing venture capital.

Through partnerships, foundations can augment the quality of Bank work and inform development debates by providing their specialized knowledge and grassroots contacts. Cooperation with foundations that have solid reputations on international and local levels can enhance the public's view of the Bank and build its image as a good partner. Foundations can help estab-

An increasing number of foundations are interested in the issues of globalization, the roots of poverty, and the Millennium Development Goals.

lish alliances around topics the Bank values, and act as effective brokers to increase audience awareness and participation.

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Understanding the World Bank

One of the most common areas of confusion in the international foundation community is why a large multilateral organization, with approximately U.S. \$20 billion in its lending portfolio seeks funding from foundations and other donors. Since funding provided through loans typically must be paid back, Bank managers often seek nonlending sources of funding to augment loans—particularly for lower-income client countries.

Also, governments borrowing from the World Bank, for the most part, want to use their loans for investments that show concrete results. They are sometimes hesitant to borrow for activities such as research and capacity building, which are also important for development. In order to provide a variety of forms of funding, the Concessional Finance and Global Partnerships Vice Presidency of the World Bank establishes and manages trust funds (nonlending sources of funding). There are over 900 trust funds that have been established, mostly with funding from bilateral donors and, in some cases, from foundations.⁸ However, this form of funding can also lack sufficient flexibility to support certain important opportunities and activities; hence, the Bank needs to access other funding that can be focused on specific needs.

The Bank's procurement process is another area that is sometimes difficult for foundations to comprehend—particularly when it involves NGOs that are directly funded by foundations. Because the Bank is dealing with very large sums that must be repaid by borrower countries, it has a responsibility to apply a structured and standardized set of procedures in order to assure that the funds are used appropriately. This system of checks and balances can be challenging for partners and client governments alike.

It is also important for foundations to understand that once the Bank makes a loan to a client country government, the government manages the

⁸ Vice Presidency for Concessional Finance and Global Partnerships (<http://www.worldbank.org/cfp>).

funds. Thus, the client government is responsible for disbursing the funds and selecting the implementing organizations. This means that foundation partners or foundation grantees on the ground must engage in the competitive process, if they are interested in receiving these loan funds.

The Bank plays a flexible, catalytic role in partnerships by participating financially, intellectually, and through its convening power.

While many foundations may realize that the World Bank is mandated to work through client governments, they are less clear about the Bank's structure and organization, the lending project cycle, and the active role of its board in approving all policies and projects (see Annexes 4 and 5).

World Bank Value Added

The fundamental differences in the structure and constraints of the World Bank and foundations provide each with a comparative advantage in joint work. For instance, the size and worldwide organization of the Bank allows wide dissemination of new ideas, research, and technology through its country offices, projects, and other activities throughout the world. The Bank also has significant influence with government decision-makers in developing countries, due to its recognized expertise, its leadership in the donor community, and the access to financial resources it can provide. This size and level of influence give the Bank broad convening powers to gather organizations, experts, and leaders from around the world to consider issues of mutual interest.

Foundations seek partnerships with the World Bank for a variety of reasons, including the Bank's:

- **Leadership in the donor community to leverage resources**
- **Knowledge and expertise in developing projects**
- **Influence in policy development with governments**
- **Potential for scaling up successful programs**

Foundations see value in working with the World Bank to replicate projects they have initiated and to use the influence the Bank has with client governments to scale-up their work. Most foundations would also welcome the help of the World Bank in creating a favorable policy framework for the development and advancement of philanthropy in developing countries, which they view as a mechanism for improving civil society and achieving sustainable economic conditions.

The combination of World Bank and foundation characteristics can be very effective in getting project work started. For example, there may be the germ of a good idea in a new health care delivery system, but the country does not have the capacity to build consensus on an initiative or develop it fully enough to be seriously considered for the World Bank project “pipeline.” Foundations have made valuable contributions in these situations by holding workshops, developing local consensus, and even undertaking small pilots. The results of this work at the local level can then be used to frame the broad outline of a project. Once a project is acknowledged and in the “pipeline,” Bank task team leaders can access budgets to further develop the ideas. Then the Bank can use its persuasive power to convince governments of the project’s value, and its convening power to gather multiple donors for funding.

Partnership Examples

There have been many Bank/foundation partnerships formed with a variety of agreements and shared responsibilities. However, case studies have shown that in the most successful of these partnerships, Bank staff have drawn upon the expertise and knowledge of their respective foundation partners and have invested in building relationships with foundations over time. A few of these partnerships are highlighted below.

Building on Comparative Advantages Uganda Decentralized Service Delivery: A Makerere University Training Project

A partnership based on a co-financing arrangement and close collaboration in project design allowed the Rockefeller Foundation and the World Bank to build on each other's comparative strengths to support training for local government officials.



A central element of Uganda's development strategy in the early 1990s was a decentralization program designed to improve the quality of public service delivery at the local level. However, it soon became clear that training for local government officials was necessary in order to support the decentralization efforts. The Rockefeller Foundation with extensive experience in working with Makerere University agreed to support the development of a strategic plan to meet this new need.

Rockefeller assistance covered the running and facilitation costs of a joint university/government committee that steered a process to research and

redesign Makerere's curriculum. Two years later, the Rockefeller Foundation was able to engage the World Bank in providing a credit to strengthen and further legitimize the initiative. The Rockefeller Foundation and the Bank each provided U.S. \$5 million and the Government of Uganda provided counterpart funding of U.S. \$1 million for a total project cost of U.S. \$11 million.

The Bank and the Rockefeller Foundation agreed in their joint project design that Rockefeller funding would be utilized during project preparation, particularly in hiring experienced local consultants who knew the University. Bank funding followed to scale-up the program. The funding design permitted Makerere to utilize the flexibility of the Rockefeller Foundation's grantmaking process with the discipline associated with a Bank credit. The ongoing work of the university/government committee and a facilitator helped the Bank in its project planning and implementation.

To ensure close collaboration, the Rockefeller Foundation seconded one of their program staff to the Bank for a period of four years. The curriculum redesign process has now been replicated to remodel the whole university through the establishment of constituent colleges with a field-based orientation.

Designing projects based on the comparative advantages of the partners and sharing staff to ensure close collaboration can result in increased effectiveness in development projects.



Participatory Partnership Planning Economics Education and Research Consortium (EERC)

The EERC partnership, initially launched by the World Bank and the Eurasia Foundation, is based on using a participatory model that engages foundation partners in generating ideas and feasibility studies, as well as in designing and implementing projects. As a result of this approach, foundation partners have a sense of ownership in the initiative, which has resulted in long-term commitments.

The World Bank unit, Development Economics Partnerships, Capacity Building and Outreach (DECPO), has played a catalytic role in supporting economic education and research initiatives. DECPO partnered with the

Eurasia Foundation to develop public-private partnerships focused on the transition economies of East-Central Europe and the former Soviet Union. Using a participatory partnership building model, they were able to co-found the highly successful Economics Education and Research Consortium (EERC) and have raised more than U.S. \$27 million since its establishment in 1996.

At a meeting in 1994 to discuss the issues with foundation representatives and academics, a promising number of interested partners and donors emerged. As a next step, the World Bank and Eurasia Foundation agreed to carry out an assessment of the needs and capabilities of economic education and research institutions in Russia and Ukraine. Based on this assessment, staff from the Bank and Eurasia Foundation summarized the existing situation and proposed a consortium to support a research program in Russia and a master's level education program in Ukraine. As a result of the proposal, the consortium was launched and the Eurasia Foundation agreed to be the implementing agency for the Russia and Ukraine programs.⁹

In Russia, the EERC has created a policy research network of more than 200 young academic economists. More than 120 original research projects have been supported and research results have been published in leading journals and as EERC working papers. In Ukraine, the EERC has established a two-year graduate economics program of international caliber. Since the summer of 1996, more than 200 students have earned a master's degree and found employment in government, think tanks, and private companies. One-third of the students continue their education in Ph.D. programs at Western universities.

The project's success has largely been based on using a participatory approach of designing, creating, and implementing the program. The partners' sense of ownership has resulted in long-term commitments toward the success and sustainability of the program. Although the Bank's financial contribution has been less than 10 percent, its leading role in formulating strategy, conducting analytical work, and monitoring progress has been highly appreciated by the partners. By employing the same partnership approach, the Bank has been scaling up capacity building in economic education and research, resulting in nine centers of excellence in other regions.

⁹ Core consortium donors include the Carnegie Corporation of New York, the Eurasia Foundation, the Ford Foundation, the Government of Norway, the Government of Sweden, the Open Society Institute, the Starr Foundation, and the World Bank. Other donors (the Citigroup Foundation, the Global Development Network, Digital Equipment Corporation, the Government of Finland, the International Monetary Fund, and the Pew Charitable Trusts) have also provided significant support.

The EERC has continued to expand its members by engaging current and potential partners on a periodic basis to hear about the outcomes of activities, discuss additional research, and plan future work.



Scaling Up Foundation Innovation Kenya Early Childhood Development Project

In Kenya, a successful program of the Bernard van Leer Foundation in early childhood development (ECD) prompted the government to approach the Bank for ECD support. Project preparation benefited from partnering with foundations that had 13 years of experience in ECD work in Kenya.

A program on early childhood development (ECD) was conceived and launched in Kenya by the Bernard van Leer Foundation with the help of the Aga Khan Foundation and several NGOs in the 1980s. Done in conjunction with Kenya's Ministry of Education, the program became so successful that the government requested funding from the World Bank to scale up the activity nationwide (U.S. \$35 million total project cost).

The NGOs and foundations worked with the Bank in providing data and research for project preparation and design.¹⁰ However, when the loan was given to the government, funding was not disbursed in a timely manner and some of the foundation grantees nearly collapsed. In addition, the NGOs felt that there was insufficient time allowed for the community mobilization and capacity building that was important to project success.

While the foundations feel that better communication and project design could have prevented some of the difficulties encountered, they are pleased that the partnership resulted in broad government support for ECD; the government's spending on ECD rose from less than one percent to around three percent of the national budget. There has also been a significant increase in the number and the quality of Kenya's preschool teachers. The success in Kenya has resulted in the ECD methodology adapted and actively developed in 11 other African countries.

¹⁰ The collaborating NGOs and foundations in this project were Care Kenya, Catholic Relief Services, African Medical Research Foundation, Action Aid, African Housing Fund, and the Aga Khan Foundation in collaboration with the Bernard van Leer Foundation.

There have also been additional outcomes resulting from ongoing collaboration with the Bernard van Leer Foundation. These include (1) the development of a virtual university for ECD professionals; (2) two international conferences; and (3) development of a programming guide for use by policy-makers, trainers, and child advocates.

Collaboration between the Bank and foundations can result in additional positive outcomes that go far beyond the original project activity.

Partnership for Buy-Downs **Investment Partnership for Polio**

The Investment Partnership for Polio represented an opportunity for the Bill & Melinda Gates Foundation to engage the Bank in a new approach to IDA buy-downs and gain government cooperation in completing a vaccine distribution program.



The Investment Partnership for Polio is an innovative financing program that supports the Global Polio Eradication Initiative, which aims to eliminate polio from the world within the next few years. The partnership, currently comprising the Bill & Melinda Gates Foundation, Rotary International, and the UN Foundation, will buy-down a country's International Development Association (IDA) credit upon the country's successful completion of a vaccine distribution program to eliminate polio.¹¹

To fund the buy-downs, the partnership has established a trust fund with U.S. \$25 million from the Gates Foundation and an initial contribution of U.S. \$13.6 million given jointly by Rotary International and the UN Foundation. According to the buy-down terms, each trust fund dollar results in a country receiving roughly U.S. \$2.00–2.50 in IDA credits for it to fight polio. Thus, a U.S. \$50 million contribution from Gates, Rotary, and the UN foundations leverages roughly a U.S. \$120 million buy-down in World Bank IDA credits. Through this creative incentive-based program, developing countries can mobilize what ultimately becomes grant funding to eradicate polio, and thus contribute to the global campaign to eliminate polio transmission worldwide.

¹¹ IDA is the soft loan arm of the Bank that provides highly concessional assistance to the poorest countries.

The IDA buy-down builds on elements of debt-forgiveness; however, it is the first time that the buy-down has been done in cooperation with private donors and the first time that the mechanism has been directly linked to country performance.

According to staff in the Bank's Health, Nutrition, and Population Unit, the partnership with the Gates Foundation resulted from a substantive and multi-year dialogue with key personnel at the Gates Foundation. As is the case with many partners, the Gates Foundation was interested in building upon the Bank's comparative advantage in influencing governments. During the course of project development, the Gates Foundation stipulated that additional donors should be engaged to increase funding flows and leveraging of their funds. Since Rotary International and the UN Foundation had a strong commitment to eradicating polio, a partnership was formed on the basis of matching the Gates Challenge Grant, dollar for dollar.

Bank staff involved in managing successful foundation partnerships stress the importance of establishing an institutional as well as a personal track record in open communications and consistent follow-through.



Programmatic Grants for Training Adapting to Change—Program on Population, Reproductive Health, and Health Sector Reform

The World Bank Institute received support from the Rockefeller and William and Flora Hewlett Foundations for advancing reproductive health by involving foundations in program content development.

The Adapting to Change program has been successful in gaining programmatic assistance from the Rockefeller Foundation and a grant to implement training in reproductive health policy and service delivery from the William and Flora Hewlett Foundation.

Staff in the World Bank Institute's Human Development unit (WBIHD) sought advice on reproductive health issues and training needs from interested bilaterals and foundations. An advisory group was formed as a result of an initial meeting and the Rockefeller Foundation emerged as a committed participant. Based on their field knowledge, Rockefeller Foundation began

helping WBIHD identify effective NGOs that could become local partners in their training programs.

As a result of the partnership and work with the Rockefeller Foundation, WBIHD reproductive health staff increased their credibility and visibility in the foundation community and were able to obtain an expression of interest for funding from the Hewlett Foundation. After extensive discussions with the Hewlett Foundation, a grant for U.S. \$400,000 was made available to WBIHD for curriculum-development workshops, training of trainers, and pilot courses in Anglophone Africa and the Latin America and Caribbean Region.

Like Bank staff working on the Investment Partnership for Polio, WBIHD specialists stress that the success of the partnership and their program was based on personal relationships with foundation staff, seeking foundation knowledge, and involving foundations in program content development. The WBIHD partnership is being maintained through annual meetings of the advisory group and an informal newsletter sent every two months by WBIHD's reproductive health specialist. WBIHD and the Hewlett Foundation are now planning a second round of funding.

Including a foundation on a project advisory committee or board helps to establish credibility and deepen relations.

Leveraging Resources and Expertise Albania Microcredit Project

A partnership between the World Bank and the Open Society Institute made use of each partner's technical expertise, funding, and persuasive powers with the Government of Albania to transform a government-run urban microcredit program into a private, sustainable microcredit foundation.



The World Bank's Albania Microcredit Project (U.S. \$23 million total project cost) was designed to restructure the urban credit program of the Albanian Development Fund (ADF)—a multifunctional governmental program. The urban credit program had high loan repayment rates, but required subsidies to cover operational costs due to an institutional environment that was not conducive to the financial discipline necessary for sustainable (self-financing) credit delivery.

The Open Society Institute (OSI) of New York became interested in Albania's need for microcredit when the local Open Society Foundation for Albania (OSFA) asked them for assistance with this issue. While taking stock of microcredit availability in Albania, the OSI decided that they would have the greatest impact by collaborating with the World Bank on the planned restructuring of the ADF's existing urban microcredit program.

OSI and OSFA worked closely with the World Bank project team to brainstorm and develop the framework for a private and sustainable credit institution with the potential of facilitating small-scale private sector development throughout Albania. The Bank included the OSI in all communications and decision-making through joint missions, video conferences, and extended email distribution lists. The Bank/OSI team determined that the best option for delivering microcredit on a sustainable basis was to establish a private local institution that would absorb the staff and loan portfolio of the ADF's urban credit program. Consequently, the OSFA became the "founder" of the new Besa Foundation. The Bank used its influence to convince the government to spin off ADF's urban credit program to the Besa Foundation in order to allow for the expansion of microcredit without burdening the government's budget. The OSI and OSFA used their expertise and local knowledge to develop statutes and appoint a Board of Directors for the new foundation. The OSI also financed technical assistance and training to upgrade the skills of the microcredit staff.

Involving partners in all communications and discussions through video conferences, extended email distribution lists, and joint missions keeps cooperation running smoothly, establishes credibility, and ensures mutual commitment.



Incubating New Approaches Forest Trends

Partnerships can result in the creation of new entities with more flexibility to address issues of mutual concern than either partner could otherwise achieve. Forest Trends is one such organization created by the World Bank and the John D. and Catherine T. MacArthur Foundation to bridge the traditional divides among the major actors who impact sustainable forestry.

In the late 1990s, the John D. and Catherine T. MacArthur Foundation and the World Bank's Environment Department agreed that to adequately

address the issues of forest conservation and sustainable forest management they must engage all the relevant actors—the forest industry, environmental advocacy groups, the finance community, and development banks. To incubate ideas, a small group of global experts was brought together to consider creating market-based incentives for sustainable forestry. After reaching agreement on what needed to be done, there was a consensus that no existing institution had the appropriate mandate or attributes to undertake the broad ranging work that was necessary. The group concluded that the most appropriate vehicle for advocating and supporting market-based incentives for sustainable forestry would be a new, small, and flexible nonprofit organization that could bridge the traditional divides among the sector's actors.

The MacArthur Foundation and the World Bank agreed that launching such an organization could serve their common interests by (1) developing new market instruments for forest conservation; (2) providing global analysis of key issues and trends in forests; and (3) informing policy development, particularly in the developing world.

To help incubate and launch such a new nonprofit organization, the MacArthur Foundation and the World Bank agreed to the joint appointment of a MacArthur program officer with forest expertise to the two institutions for a period of one year. The MacArthur Foundation and the Bank equally shared the costs of this staff person who reported to both institutions and developed the by-laws, mission statement, and legal framework of the new entity. This close collaboration resulted in the creation of Forest Trends, which both the World Bank and the MacArthur Foundation supported with further funding for its start up.

Secondments, or sharing the cost of foundation experts' time to develop a project or program, is a partnership tool that can ensure close collaboration and achieve mutual goals.

Promoting Philanthropy as a Development Tool Community Foundations

An interest in exploring the concept of philanthropy as a vehicle for community-driven development led to a multi-year partnership between the Bank and several foundations.



Many foundations are interested in promoting indigenous philanthropy in client countries as a means of building a strong and active civil society and helping people help themselves. Community foundations have emerged as one of the fastest growing areas of philanthropy. They are attractive as a development tool because they use a variety of creative approaches to address community needs, make grants that support citizen-led development efforts, are able to raise funds from local as well as external resources, are known for their fiscal accountability, and establish a board of trustees that is reflective of the community they serve.

Through a series of partnership dialogues convened by the Bank's Foundations Unit with the International Committee of the Council on Foundations, the Bank's Social Development Unit became interested in exploring the concept of community foundations as a means of achieving community-driven development in client countries. The Ford and Charles Stewart Mott Foundations expressed interest in funding the initiative, if the Bank matched the funding and worked closely with the foundation community.

The most effective partnerships are based on knowledge sharing, transparency, and joint responsibility.

An agreement was reached in 2002 to form a partnership and recruit a specialist in the field of community foundation philanthropy who would spend two years in the World Bank to (1) raise awareness of community foundations—how they function, and how they address community-driven development; and (2) identify pilot projects in developing countries that could test the efficacy of community foundations as a development tool. The World Bank funding was raised from several Bank Vice Presidencies and the Ford and Mott Foundations matched the funding. The Council on Foundations handled the international search for a senior community foundation specialist and the Bank made a final selection based on a shortlist of candidates. An advisory committee was established consisting of foundations and Bank staff to guide the project by providing technical expertise and support.

As a result of keeping the foundations engaged in each step of the process (vetting selection criteria for pilot sites, discussing funding instruments, etc.) the Ford and Mott Foundations provided funding to extend the project for an additional three years and several other foundations have also expressed interest in supporting the initiative.

Conclusion

The Bank has increasingly recognized the importance of foundation partnerships to mobilize the world's technical and financial resources in support of sustainable development. The intent of this publication has been to help Bank staff gain a deeper understanding of the value of partnerships with foundations, the incentives for foundations to work with the Bank, and the building blocks of successful partnerships. We also hope that the case studies described here will help foundations become better acquainted with various modalities for partnering with the Bank, whether they are based on seconding staff to work at the Bank, the creation of joint advisory committees, establishing trust funds, or co-financing arrangements.

There are many other good models for World Bank/foundation partnerships that could not be mentioned in this small publication. In all cases, the most successful examples are based on good practices that can be summarized as follows:

- Contact and engage foundations in the early stages of project conceptualization and preparation.
- Be prepared to adapt a proposal based on a foundation's expertise and fieldwork experience.
- Wherever possible, engage foundations in feasibility studies and joint planning missions.
- Design implementation based on the comparative advantage of each partner and joint responsibilities.
- Consider the possibility of splitting costs for seconding a foundation expert to the Bank to ensure closer collaboration.

- Create a Bank/foundation advisory committee to guide the project, or add a foundation representative to your governing board.
- If organizing a conference or workshop, engage foundations that are to be contacted for support as co-organizers and invite them to suggest participants, topics, and speakers or to be session chairs/speakers.
- Be prepared to establish your credibility over an extended period of time.
- Maintain open communications with partners through frequent contact, joint missions, video conferences, and email distribution lists.

As in all partnerships, engagement should offer each partner more than what they can achieve alone, and should be based upon the willingness to understand that the differences between partners can be a source of strength when the partners have developed a common understanding of each other.

1

Foundation Types and Definitions

Public Foundations

Legally classified as “public charities,” public foundations are publicly supported nonprofit organizations that receive assets from multiple sources. They can be funded by contributions from individuals, corporations, governmental units, private foundations, and fees for service. A public foundation must continue to seek money from diverse sources in order to retain its public status. As distinguished from most public charities, public foundations focus more on grantmaking than on providing direct charitable services (for example, Asia Foundation and UN Foundation).

Private Foundations

Private foundations are nonprofit organizations whose funds come from one source, whether it is an individual, a family, or a corporation. There are four different types of private foundations.

Family foundations receive endowments from individuals or families. Family foundations continue to show measurable donor or donor-family involvement, especially through participation on the foundation’s board of directors (for example, Turner Foundation, Rockefeller Brothers Fund).

Operating foundations are private foundations that use the bulk of their resources to provide charitable services or run charitable programs of their own. They make few, if any, grants to outside organizations and generally do not raise funds from the public (for example, J. Paul Getty Trust).

Independent foundation funding is in the form of an endowment, and even though wealthy families start many private independent foundations, no family members control the grantmaking. Because of their endowments, they are focused primarily on grantmaking and generally do not actively raise funds or seek public financial support. These foundations are highly professionalized with carefully developed grantmaking strategies and criteria. Their boards of directors often consist of people who are eminent in the fields of interest to the foundation. Of the largest private foundations in the United States, most are independent foundations, although they may have begun as family foundations (for example, Ford, Rockefeller, and MacArthur Foundations).

*Company-sponsored or corporate foundations*¹² are entities through which a corporation organizes and channels its philanthropic giving. The company-sponsored foundation is a separate, legal organization (501c3) subject to the same rules and regulations as other private foundations.¹³ The assets of the corporate foundation are derived from the assets or profits of its parent corporation or individuals closely associated with the corporation. Most corporate foundations maintain close ties with the donor company and the board of directors includes company executives (for example, Bank of America Foundation and American Express Foundation).

¹² Sources: Websites for the Council on Foundations, The Foundation Center, Leventhal/Kline Management Inc., and conversations with Rob Buchanan and Fran Eaton of the Council on Foundations.

¹³ Another form of corporate philanthropy, not to be confused with a private/independent corporate foundation, is a direct corporate giving program. Corporate giving programs do not have an endowment and their expenses are planned as part of the company's annual budget. They are not subject to the same reporting standards as a corporate foundation.

World Bank/Foundation Partnership Instruments

There are several instruments through which foundations and the World Bank can collaborate and partner, including trust funds, co-financing, and the Development Grant Facility.

Trust Funds. The Concessional Finance and Global Partnerships Vice Presidency of the World Bank oversees trust funds that are (almost always) disbursed as grants. There are over 900 trust funds that have been established, for the most part with funding from bilateral donors. Other donors include multinational agencies, NGOs, foundations, and a few private organizations. Grant recipients may be governments, NGOs, or other entities. A trust fund can be country-specific, regional, or global in its geographical scope.

Trust funds provide financing support in various ways: as co-financing to help fill the funding gaps of particular projects or programs; to finance debt reduction; and to assist post-conflict countries, for which financing cannot be mobilized through conventional channels. In addition, trust funds can directly support technical assistance and capacity-building needs in recipient countries. They can also support the Bank's operational work program in areas such as analytical and advisory services, and knowledge-sharing. Some trust funds support global programs and partnerships, which enable the Bank and the donor community to collaborate on specific development issues through special policy and program initiatives. These seek to achieve common objectives that the Bank would not or could not accomplish alone.

Co-financing Arrangements. Co-financing is any arrangement under which funds from the Bank are associated with funds provided by other sources outside the recipient country for a specific lending project or pro-

gram. There are essentially two types of co-financing, which have distinct modalities for the procurement of goods or services.

Parallel: an operation in which the Bank and the co-financier finance different goods and services or different parts of a project, normally under their own procurement methods.

Joint: an operation in which the Bank and co-financiers finance expenditures from a common list of goods or services in agreed portion, following Bank's procurement guidelines. In practice, co-financiers pool and disburse their funds either from a joint co-financing trust fund administered by the World Bank or in a coordinated manner agreed under a co-lenders agreement.

The Development Grant Facility (DGF). The goal of the DGF is to encourage innovation through seed money for new development approaches on a global or regional level, to catalyze partnerships through convening and building coalitions and raising funds, and to increase the effectiveness of country programs and projects. Through the DGF, the Bank aims to ensure that such partnerships are consistent with the Bank's development objectives, and that they address challenges that cannot adequately be supported through work in a single country. The DGF makes grants to partnerships with multilateral and bilateral agencies, governments, foundations, the private sector, NGOs, and universities. However, the DGF budget is small compared to the scale of World Bank operations. In addition, all partnerships must be sponsored by Bank staff to ensure alignment with Bank sector strategies and the best use of scarce resources. DGF funding available for new activities is about U.S.\$10–15 million a year.

3

Information Resources

The World Bank Foundations Unit (www.worldbank.org/foundations)

The World Bank's Foundations Unit facilitates, advises, and promotes Bank/foundation partnerships. The unit produces a monthly electronic newsletter that informs Bank staff about the development-related projects that foundations support and events taking place in the international foundation community (including grants and activities related to developing countries, foundation meetings, conferences, publications, workshops, and training opportunities). The unit also sponsors discussions with foundations and Bank staff (lectures, focus group discussions, etc.) that build relationships and provide opportunities for collaboration.

The team maintains a website to enable the foundation community and the staff of the World Bank to interact, and to share information in pursuit of sustainable development.

Of special interest to those seeking to map the extent of foundation presence in a particular country or identify foundation support is the website's Foundations Information Center, which features:

- A list of foundations with offices in developing countries.
- Lists of funders that have a specific interest, such as HIV/AIDS, youth, or disabilities.
- Funders who have a geographic focus such as Africa funders.
- Links to several search engines developed to aid in the search for foundation funding; for example, Finding Funders.

Other organizations and resources that provide advice and/or information on foundations are described below.

Council on Foundations (<http://www.cof.org/>)

The Council on Foundations (COF) is the premier trade association for U.S. foundations (over 2,000 members). It has an international committee for U.S. International Grantmakers (USIG). USIG has a website with information about the options and legal requirements for international grantmaking, as well as notes on grantmaking in specific countries. It works with the Foundation Center to conduct research on international grantmaking. COF organizes annual conferences for corporate grant makers, family foundations, community foundations, and a general annual conference for all grant makers. It also produces publications and newsletters, and holds workshops. COF generally supports global philanthropy through written resources, technical assistance, and legislative and regulatory initiatives. It also acts as a key interlocutor and policy advocate on such issues as the U.S. Treasury Department antiterrorist financing guidelines.

European Foundation Centre (<http://www.efc.be/>)

The European Foundation Centre (EFC) promotes and underpins the work of international foundations and corporate funders either located in Europe or international foundations such as Ford and Toyota that support activities in Europe and the Mediterranean regions. Located in Brussels, the EFC has over 200 members. Several EFC initiatives seek to promote cross-border philanthropy, as well as the growth of philanthropy. The EFC currently consists of over 45 regional philanthropic support groups, such as the Asia Pacific Philanthropy Consortium. The EFC has an international committee that advises on issues relating to wider Europe and other world regions, namely the Americas, Sub-Saharan Africa, the Mediterranean, and Asia. They act as policy advocates and work on such matters as educating the European Commission on the need to support legal frameworks for philanthropy in the newly independent states of Eastern Europe.

Europe in the World Initiative (<http://www.europeintheworld.info/>)

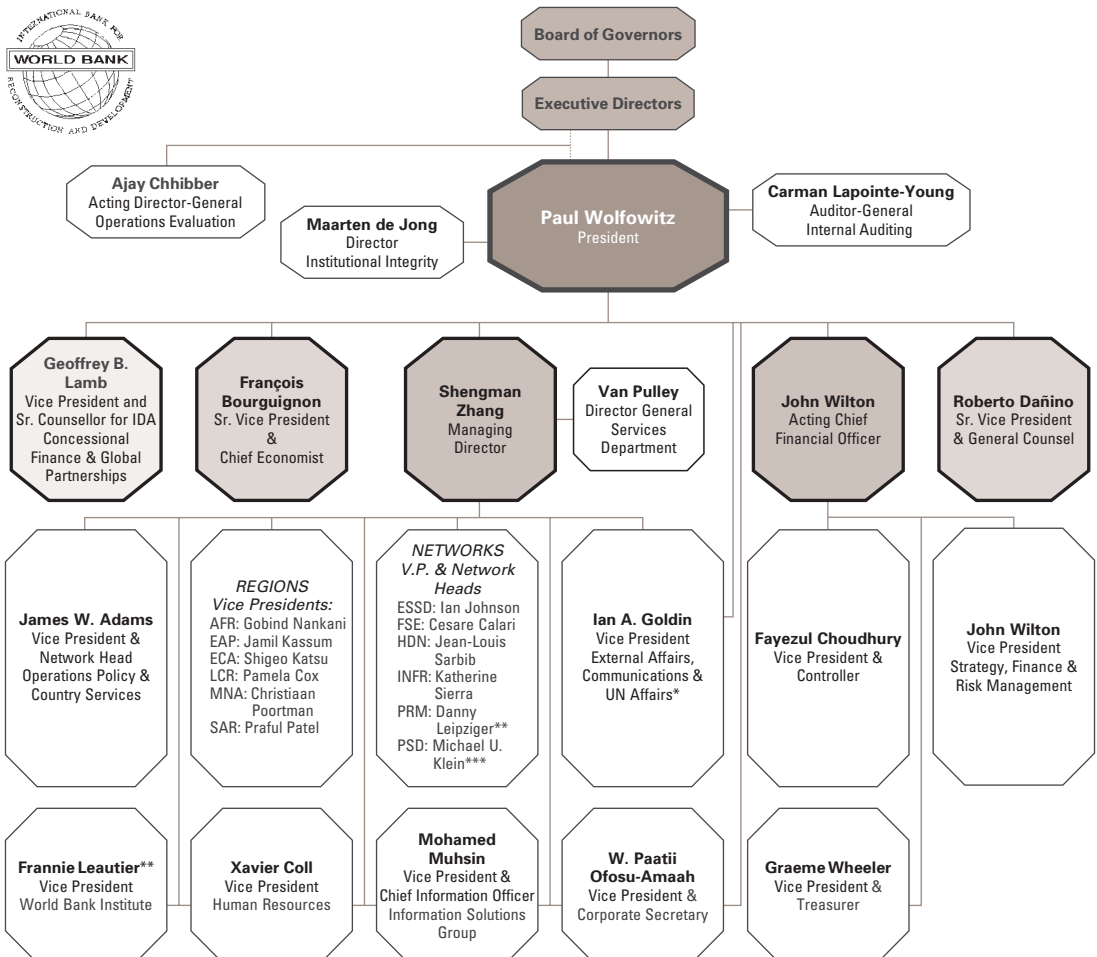
Europe in the World (EitW) seeks to promote a stronger European voice in international relations and cooperation; to contribute to the generation of new ideas and collaborations to address the root causes of poverty and despair. The Millennium Development Goals and addressing the post-September 11 and post-Madrid challenges serve as the overarching framework for EitW. The key thrust is to persuade an ever-growing group of foundations to increase by one percent each year for the next five years the expenditure they devote to initiatives outside of Europe. EitW advocates and mobilizes more leadership, collaboration, and knowledge-generating efforts for global development among foundations and in partnership with governments, multilateral and supranational institutions, business, and international development organizations. Its vision is initiated within the Network of European Foundations for Innovative Cooperation (NEF). EitW is managed by the European Foundation Centre (EFC).

Foundation Center (<http://fdncenter.org/>)

Headquartered in New York City, the Foundation Center's mission is to support and improve philanthropy by promoting public understanding of the field and helping grantseekers succeed. It is one of the most useful sources of information on U.S. foundation trends and statistics. Center staff collect, organize, and publish research papers on trends in U.S. philanthropy, as well as statistical data; conduct and facilitate research on trends in the field; provide education and training on the grantseeking process; ensure public access to information and services through their website; and maintain five library/learning centers.

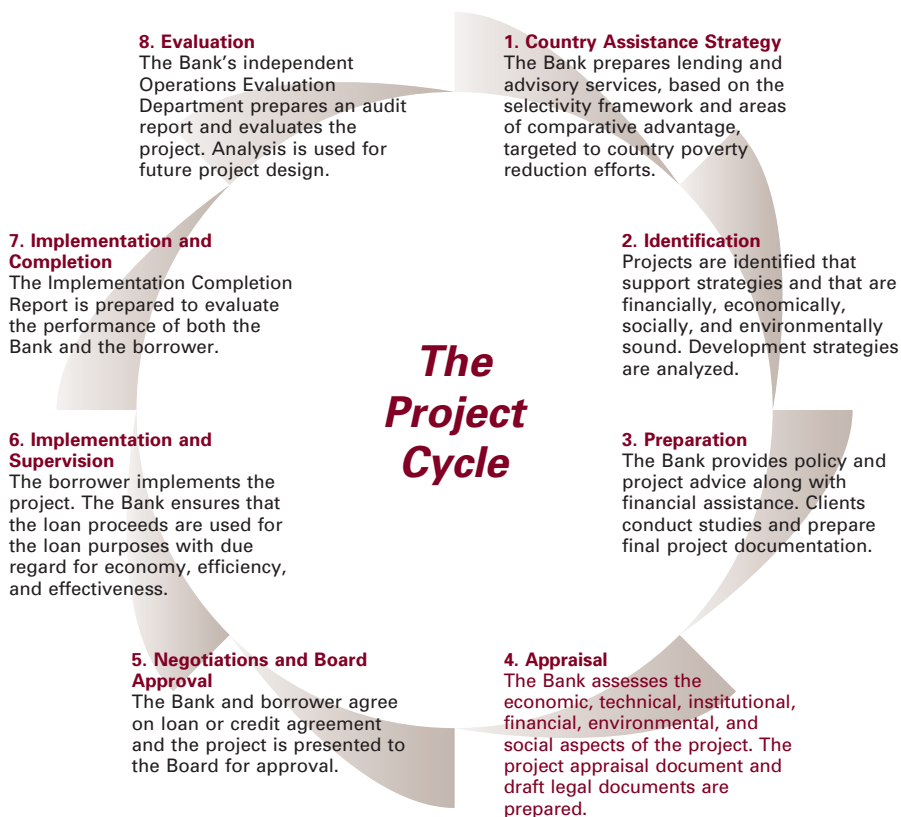
World Bank Organizational Chart

ORGANIZATION CHART OF THE WORLD BANK – JUNE, 2005



* Yukio Yoshimura - Vice President & Special Representative, External Affairs Japan
 ** Dotted line to Sr. Vice President & Chief Economist
 *** Reports to IFC Executive Vice President on IFC Business

World Bank Project Cycle



SOURCE: World Bank Annual Report, 2003.

Pipeline Activities

Identification. During identification, both the Borrower and the Bank are involved in analyzing development country strategies, such as the Poverty Reduction Strategy Papers (PRSP) and the Country Assistance Strategy (CAS), and in identifying projects that support those strategies. Ideas for projects often emerge from these strategies as well as the Bank's economic and sector research, borrower's feasibility studies, and prior projects.

Preparation. The Borrower is responsible for project preparation, which normally lasts from one to two years. The Bank often provides technical and financial assistance. During preparation, a country's project team has to determine all the technical, institutional, economic, environmental, and financial conditions required for the project to succeed. The team must also compare possible alternative methods for achieving the project's objectives. If required, an environmental assessment is undertaken.

Appraisal. The Bank is solely responsible for project appraisal, which is usually conducted by Bank staff, sometimes in cooperation with consultants, who spend approximately three to four weeks in the client country. The appraisal team reviews all the work conducted during identification and preparation. The team prepares a Project Appraisal Document for investment projects, and a Program Document for structural operations, which are carefully reviewed and redrafted as necessary for submission to the Bank management. These documents are released to the public after approval.

Negotiations. During negotiations, the Bank and Borrower endeavor to agree on the measures required to assure project success. The Borrower reviews final documents and both sides come to agreement on the terms and conditions of the loan.

Active Projects

Approval. The Project Appraisal Document or the Program Document, along with the Memorandum of the President, and loan documents are submitted to the Bank's Board of Executive Directors for approval. If the loan or credit is approved, it is then signed by the Bank and the Borrower.

Effectiveness. Following approval, the loan or credit agreement is submitted to whatever final process is required by the borrowing government. For exam-

ple, agreements may have to be ratified by a country's legislature. The process may last up to several months. If the outcome is positive, the loan or credit is declared effective, or ready for disbursement, and the agreement is made available to the public.

Implementation and Supervision. Implementation is the responsibility of the Borrower, with technical assistance from the Bank. Project implementation units (PIUs) are usually responsible for implementing an entire program or a major project component. The PIU will provide support and orientation to all entities of the public sector involved in the project and must report on its activities to the government and the World Bank. This unit will also be involved in public information policies and the coordination of different sources of funds provided by the donor community.

The supervision of the project is the responsibility of the Bank. The Borrower prepares the specifications and evaluating bids for the procurement of goods and services related to the project. Once the Bank reviews this work and determines that the Bank's procurement guidelines have been followed, funds will be disbursed.

Once funds have been disbursed, supervision entails monitoring, evaluating, and reporting on a project's progress. At the end of the disbursement period (anywhere from one to ten years), a completion report identifying accomplishments, problems, and lessons learned is submitted to the Bank Board of Executive Directors for approval.

Closed Projects

Ex-Post Evaluation. Following completion of the project, the Bank's Operations and Evaluation Department conducts an audit of the project, where the project's outcome is measured against its original objectives. The audit entails a review of the project completion report and preparation of a separate report. Both reports are then submitted to the Bank's Executive Directors and the Borrower.

MILLENNIUM DEVELOPMENT GOALS

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria, and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

<http://www.un.org/millenniumgoals/>

For further information on
World Bank/Foundation partnerships,
please contact:

FOUNDATIONS UNIT
GLOBAL PROGRAMS
AND PARTNERSHIPS GROUP

Telephone: 202-458-9793

Email: efink@worldbank.org

or

epetkovafall@worldbank.org

Website: www.worldbank.org/foundations



THE WORLD BANK

