

A Strategic Note for Philanthropy:

Development Finance Post-Seville

Alice P. Albright



W I N G S
ELEVATING PHILANTHROPY



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Purpose

In the wake of recent cuts to official development assistance (ODA) and a rapidly changing development landscape, this strategic note summarizes key observations from the Financing for Development Forum (FfD4) and offers some “food for thought” for the philanthropy sector (both funders and networks) as organizations gather on the margins of the 80th Session of the United Nations General Assembly (UNGA) to discuss “what’s next?”

This note is written for global philanthropic funders and networks considering their role in the current landscape. It draws heavily on observations from FfD4, and recent papers and presentations produced by organizations in the development community. It is not intended to be an exhaustive, primary-source-based research paper. Because the sector is richly diverse, these reflections are not intended to speak to the entirety of the sector but instead serve as a starting point for further discussion. To narrow the scope, we have chosen to focus more on development rather than on humanitarian crises. However, numerous unfunded humanitarian crises and an emerging dialogue between development and humanitarian actors could be the subject of a subsequent note. At the end of this note, we have provided a list of sources we consulted, which may be helpful for further context.

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Key observations

1. In the wake of the recent cuts to ODA and with the increasing leadership of the locally-led development movement, the philanthropy sector has the potential to play an increasingly critical role in the future of low-income countries.
2. With their ability to be reliable partners and provide capital flexibly and over the long term, funders have the ability to invest in and support key delivery systems in partner countries. Reasonably,

funders are unlikely to be able to fill the shoes of ODA. The premium will be on specificity, impact, and financial efficiency. One adaptation that philanthropy may wish to consider is adopting a more investment-oriented approach, framed as a mutual “handshake” with government and non-government actors in partner countries, that would include pre-agreed policy and program outcomes, durations, and an exit strategy.

3. Networks of philanthropies, such as WINGS, can play an important role as the “connective tissue” to the sector – globally, regionally, and nationally. Further investment will be necessary to map out and strengthen the sector’s ecosystem to enable it to reach scale, and connect funders with opportunities.
4. The capabilities and needs of local capital markets and philanthropic communities appear to be less well understood, but they could also be critical actors. They offer one major advantage over repayable sources of cross-border capital: the chance for greater currency alignment.
5. Technology will continue to be a divider, but it will also become a critical source of solutions to improve the delivery of core services, particularly in countries experiencing high population growth. Identifying potential opportunities and the research necessary to develop and test solutions will be an important set of opportunities to help improve outcomes for people, especially in lower-income countries and settings.

Context

It is an understatement to say that the landscape for development finance has undergone significant changes since the adoption of the Millennium Development Goals in the early 2000s. Marked initially by a spirit of multilateralism and global cooperation, there was an interest in testing new approaches and endeavors and setting ambitious targets for ODA allocations. However, since then, there have been significant shifts in appetite for ODA, a questioning of overseas commitments and willingness to fund them, and a growing fatigue with new initiatives.

At the same time, “locally led” development has arisen not only as a strong political voice, but also as a critical driver of progress and re-imagining of business models and partnerships. Countries have well-established national development plans that outline a vision and a pathway for economic growth. Dalberg’s June 2025 study “Locally Led Development (LLD) Mapping – Futures Group” summarizes the key objectives of the LLD agenda and further identifies 55 emerging ideas that could help development become far more locally-led.^[1]

ODA, often considered the most valuable source of development financing, has begun to experience sharp declines. As measured by the Organization for Economic Co-operation and Development (OECD), ODA reached a record high of \$223.3 billion in USD in 2023, marking five consecutive years of record ODA levels. However, 2024 marked the end of that growth period with a 9 per cent drop in ODA. Although official numbers for 2025 have yet to be released, the OECD projects that total ODA will decline by a further 9 to 17 per cent to between \$170 and \$186 billion by the end of the year. Least developed countries (LDCs) and sub-Saharan Africa will face the steepest losses, due in part to the eleven countries that have announced cuts to ODA from 2025 to 2027. These countries previously provided up to 76 and 83 per cent of bilateral ODA to LDCs and sub-Saharan Africa, respectively, leaving the two regions particularly exposed to funding shocks.

Projected declines in ODA will disproportionately affect health and education. ODA for health already fell by 40 per cent in 2023 following pandemic-related surges and is projected to drop a further 6 per cent in 2024 and 19–33 per cent in 2025. Education is expected to face an 18–22 per cent decline from 2023 to 2025, with primary education funding dropping by 13–26 per cent over the same period. These cuts risk returning ODA for the poorest nations to—or below—2020 levels. ^[2]

Notably, having identified 0.7 per cent of GDP as a “rallying cry” in 1970, today very few, if any, countries will reach this level or aspire to do so. This decline is likely much more than a temporary setback and portends a need to rethink the entire business model of how development is financed. While ODA was considered the “gold standard,” due to its volume and flexibility to be extendable both in grant, loan, and other forms, the current environment is a wake-up call. It highlights that bilateral ODA is fundamentally politically based and primarily short-term, thereby creating a disconnect between funding long-term requirements and short-term resources.

Another pressing consideration is population growth, which has increased dramatically in many lower-income regions, testing the ability and capacity of core systems to deliver. Apart from growth itself, populations are becoming younger, and expectations for a better future are rising. While overall poverty has decreased over the past 30 years, much less progress has been made in Latin America and Africa. The net impact of the ODA cuts will reverse progress in key delivery sectors (such as health and education), particularly in some of the lowest-income countries. Indebtedness has also risen notably in the lowest-income countries over the past decade, crowding out other areas of expenditure and making the promise of increased domestic resource mobilization more challenging. It is estimated that over 50 countries now allocate more of their domestic resources to servicing debt than to health and education. ^[3]

The fourth Finance For Development Conference (FfD4) was held in late June 2025—the fourth in a series hosted by the UN every 10 years. The conference brought together a broad set of actors in the development finance world and issues an outcome document that summarizes ambitions and recommendations. The outcome document for the FfD4 is called the “Compromiso de Seville.” Like its predecessors, the Compromiso called for diversifying development funding. Given the recent ODA cuts and rapidly growing finance needs, this FfD took on a distinct note of urgency and determination to redouble efforts to agree reforms that would release capital and find new sources of funding. Speakers in various global forums repeatedly expressed a desire for the private sector (whether for-profit entities, foundations, or capital markets) to become more involved, partner more, and provide more capital to fill the gaps.

Blended finance is often considered a new source of finance for development, but several sources have indicated that, as an asset category, it has not met expectations in terms of its potential volume and scale. Recorded transactions have tended to go to the energy and infrastructure sectors and lower- and middle-income countries and upper-middle-income countries.

Multiple factors are cited as reasons, including the lack of sufficient risk mitigation tools, regulatory and prudential considerations, insufficient investment in project preparation and the development of deal pipelines, and a lack of standardization between transactions. Some have considered that philanthropy could be a source of risk mitigation for blended finance providers and other sources of private capital.

As defined by the WINGS Taxonomy, **philanthropy** refers to the practice of giving time, money, experience, skills, and or talent, all with the altruistic objective of improving human welfare. It includes individual giving by everyday givers and high net-worth individuals, or institutional giving through corporates, foundations and other specialised institutions.

Finally, the development finance landscape is often described as fragmented and siloed. This characteristic has applied to many of the sources of capital for development finance, from ODA to private capital to blended finance to philanthropic capital. Although hard to measure, there is a general belief that fragmentation undermines local ownership and impacts delivery efficiency. With the decline in ODA funding, making progress on fragmentation and scale will become particularly important.

Though the document mentioned philanthropy only once, there is a clear recognition that the sector will have an important role to play. Some governments, including the EU and those of Indonesia, Colombia, and Spain, have voiced a desire to work more closely with philanthropy.

As reinforced in the recent paper “Building Foundations for Collaborative Transformation,” philanthropy has ambitions for transformational change, but lacks the mindset, infrastructure, funding modalities, and measurement capabilities to advance towards partnerships.^[4]

Reflections on the role of philanthropy

Philanthropy has a critical role to play as the development world regroups and adapts to a “new normal.” Philanthropy and ODA differ in three key ways:

- **Drivers of funding.** ODA is shaped by political priorities and electoral cycles, while philanthropy responds to its own mandates and accountabilities.
- **Time horizons.** ODA typically operates within short budgetary timeframes; philanthropic capital can be more flexible and long term.
- **Scale.** Philanthropic funding is far more limited, so it is unrealistic to expect it to “fill the shoes” of ODA.

Philanthropy can, however, play a special role in development finance because of its independence and flexibility. Actors in the sector can engage through two main tracks: advocacy and funding.

1. **Advocacy:** Philanthropy carries an important voice—globally, regionally, and locally. Ongoing advocacy could focus on:
 - Supporting the continued importance of ODA from donor governments.
 - Promoting reforms of Multilateral Development Banks (MDBs) and the official sector to unlock additional capital.
 - Encouraging deeper engagement of local governments, civil society and local foundations.

- Advocating changes to prudential and regulatory frameworks—such as ratings-agency risk assessments—that currently limit larger flows of private capital.
- Championing key thematic priorities, including climate, gender, health, and democracy.

2. **Funding:** Philanthropic funders have the potential to be reliable long-term partners, working alongside country actors, particularly as locally led development continues to shape priorities and business models. Funders have the potential to take more risk, use different funding instruments (grants or forms of repayable capital), and play varied roles in how country programmes are designed and delivered. While funders have the ability to set longer durations, they may want to consider what an exit strategy looks like up front.

The list below sets out, at a high level, some of these different areas. As a next step, they will require a mapping to identify specific opportunities and a “deep dive” to determine how these meet with particular funders’ objectives, risk tolerances, and funding capacities.

- **Direct funding to vulnerable services:** ODA cuts and shrinking fiscal space have left key service delivery areas vulnerable. This includes basic necessities like health, education, electricity, and clean water. Each of these sectors plays a role in reducing poverty and vulnerability, although the specific operational challenges are very different and country-specific. Each area includes a different mix of “upstream” and “downstream” considerations. The former is the overall make-up of the sector, the main policy and regulatory considerations, how the service is funded and administered, and what goods, services, and personnel are required. The latter is how the service is actually delivered throughout the country – quality, performance, quantity, and outcomes. Delivery over the “last mile” is often rural, costly, and challenging. Depending on the sector, some degree of civil infrastructure is required, such as energy grids and transmission/distribution lines, schools and health clinics, roads, water treatment plants, and pipe networks. Often, each one of these areas for investment also involves “softer” areas such as training and community support. As governments continue to take more responsibility for key service delivery, they may need support in the transition. This is an opportunity for philanthropies to provide funding for key gaps – yet in a way that supports increased ownership.
- **Enhancing access to affordable capital:** With estimated funding gaps in the trillions, access to affordable capital is a significant challenge. Multiple barriers to overcome include risk aversion by cross-border investors, potential misperceptions of risk by ratings agencies, a lack of familiarity with innovative finance tools, the need to build more depth in local capital markets, and a lack of sufficient project preparation and start-up capital. These challenges require a range of types of investments, from training to efforts to scale blended finance structures that can mobilise additional funding through de-risking structures. For funders interested in structured blended finance investment opportunities, British International Investment and Boston Consulting Group co-authored a presentation in April 2025 entitled “Scaled Blended Finance, Practical Tools for Blended Finance Fund Design” that sets out the types of funds and their purpose.
- **Funding research partnerships:** Looking ahead, many historic “step-change” moments in development have come from tailoring new technologies to overcome persistent barriers in low-income contexts. Some notable examples include the increased availability of vaccines, the introduction of drought-resistant seeds, and M-PESA’s transformation of financial service

delivery. With rising demographic pressures, similarly bold tools—likely technology-driven—will be needed to help governments meet mounting demands. Yet research budgets in key sectors are under strain. Philanthropy has an opportunity to identify and fund the next wave of research and pilot projects that can meet these future challenges.

- **Investing in philanthropic networks to strengthen the enabling environment to foster partnerships:** Networks of philanthropies, such as WINGS, can play a critical driving role in fostering partnerships between actors to help address key challenges. Recent research supported by WINGS and undertaken by its members, AVPA, Latimpacto, and Sattva Consulting affirm the role of multistakeholder partnerships.^[5] Creating the enabling environment to foster partnerships will require further dedicated investment, collective action and field-building to unlock the full potential of multi-stakeholder partnerships. Some examples of network-based collective action could include:
 - Building a unified voice and advocating on behalf of philanthropy as a sector and on priority issues
 - Strengthening the philanthropy support ecosystem through mapping actors in key regions and investing in its growth
 - Acting as a clearinghouse to help identify potential funding partnerships and the expertise needed to create them
 - Continuing to build capacity around necessary areas of expertise, such as innovative finance and structuring partnerships

In this way, collective action serves as the bridge between philanthropy's advocacy and financing roles, enabling the sector to engage more effectively and at scale in development finance.

Points for further reflection

There are several “how?” questions that funders may want to consider, such as:

1. What countries and sectors are funders interested in? What is the goal of a specific investment, and how is impact defined? What is the desired duration of an investment, the exit strategy, and the source of follow-on funding that will sustain the original work?
2. What are the opportunities for philanthropies to work with local governments, and how do these inform the nature and structure of investments? Should there be a “handshake” with local actors (whether government or non-government) over different types of contributions to a common endeavor, including a handover at an exit moment?
3. What type of role does a funder want to play? Should funders act alone or in coordination with other funders, including potentially in a pooled manner? What opportunities exist to work directly with local organisations?
4. Would funders want to work in partnership with the official sector, alongside relevant UN agencies or the MDBs, through trust funds or similar structures? If so, there are multiple opportunities for consideration here.
5. How do funders define their risk appetite, and what constitutes a low-risk vs. high-risk investment? Related to this is the choice of instrument. Do funders want to use grants or forms of repayable capital, such as loans?

Recommended reading

Global Philanthropy & Collaboration

- **Lilly Family 2023 Global Philanthropy Tracker** (2023)
<https://globalindices.indianapolis.iu.edu/tracker/index.html>
- **Building Foundations for Collaborative Transformation: A Philanthropy Sector Needs Analysis** – TPI, WINGS, Philea (2025)
<https://thepartneringinitiative.org/knowledge-centre/research-and-policy/building-the-foundations-for-transformation-a-philanthropy-sector-needs-analysis/>
- **At Common Cause: How Development Funders and Philanthropy Collaborate in Africa** – Bridgespan (2025)
<https://www.bridgespan.org/insights/how-development-funders-and-philanthropy-collaborate-in-africa>
- **Locally Led Development (LLD) Mapping** – Futures Group – Dalberg (2025)
<https://drive.google.com/file/d/1BdgYB1P5V3Vd70TXyGo9isvCw1Y0zzHV/view?usp=sharing>

Official Development Assistance & Development Finance Trends

- **Perspectives on Development Assistance** – BCG (May 2025)
https://media-publications.bcg.com/pdf/Changes_to_Development_Finance_Landscape_Perspectives-May_2025.pdf
- **Cuts in Official Development Assistance: OECD Projections for 2025 and the Near Term** – OECD (2025) https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/cuts-in-official-development-assistance_e161f0c5/8c530629-en.pdf
- **A Changing Landscape: Trends in Official Financial Flows and the Aid Architecture** – World Bank (2021)
<https://thedocs.worldbank.org/en/doc/9eb18daf0e574a0f106a6c74d7a1439e-0060012021/original/A-Changing-Landscape-Trends-in-Official-Financial-Flows-and-the-Aid-Architecture-November-2021.pdf>
- **How Much, How Well: Development Finance Performance 2025** – CGD (June 2025)
<https://www.cgdev.org/publication/development-finance-performance-2025>
- **Country Platform Development Note** – ODI Global (2025)
<https://media.odi.org/documents/CountryPlatformDevelopment3.pdf>
- **Compromiso de Seville** – UN (June 2025)
<https://docs.un.org/en/A/CONF.227/2025/L.1>

Blended & Innovative Finance

- **What's Next for Blended Finance: Evolving to Meet the New Realities of the Development Finance Landscape** – BCG lecture (July 2025)
https://drive.google.com/file/d/1xVeFtO4Y8T5apQIHfayf_qRfKrvVLA8V/view?usp=drivesdk
- **Scaling Blended Finance: Practical Tools for Blended Finance Fund Design** – British International Investment & BCG (April 2025)
<https://assets.bii.co.uk/wp-content/uploads/2025/04/23104557/Scaling-blended-finance.pdf>

- **State of Blended Finance: Spring 2025 – Convergence (2025)**
<https://www.convergence.finance/resource/state-of-blended-finance-2025/view>
- **Data Brief: Blending With Foundations – Convergence (Dec 2024)**
<https://www.convergence.finance/resource/blending-with-foundations/view>
- **Public Development Banks and Philanthropies: No Longer Strangers – Finance in Common (2023)**
https://financeincommon.org/sites/default/files/2023-08/Whitepaper_PDBs_ago23_varios.pdf

Impact Investing & Future Trends

- **Seven Things to Watch in Impact Investing in 2025 – GIIN (2025)**
<https://thegiin.org/publication/opinion/seven-things-to-watch-in-impact-investing-in-2025>

Endnotes

^[1] *Locally Led Development (LLD) Mapping – Futures Group*. 2025. Dalberg.

^[2] OECD (2025), “Cuts in official development assistance: OECD projections for 2025 and the near term”, OECD Policy Briefs, OECD Publishing, Paris, <https://doi.org/10.1787/8c530629-en>.

^[3] “Global Public Debt Hit a Record \$102 Trillion in 2024, Striking Developing Countries Hardest.” 2025. UN Trade and Development (UNCTAD). June 26, 2025. <https://unctad.org/news/global-public-debt-hit-record-102-trillion-2024-striking-developing-countries-hardest>, AfriCatalyst. 2025. “Debt over Development? New Report Reveals Debt Trap Draining Developing Nations of Vital Services - Development Advisory for Africa | AfriCatalyst.” Development Advisory for Africa | AfriCatalyst. June 30, 2025. <https://africatalyst.com/debt-over-development-new-report-reveals-debt-trap-draining-developing-nations-of-vital-services/>.

^[4] “Building Foundations for Collaborative Transformation: A Philanthropy Sector Needs Analysis”, TPI, WINGS, Philea (2025). <https://thepartneringinitiative.org/knowledge-centre/research-and-policy/building-the-foundations-for-transformation-a-philanthropy-sector-needs-analysis/>.

^[5] “Why Multi-Stakeholder Partnerships Are No Longer Optional – Wings WEB.” 2025. Wingsweb.org. August 28, 2025. <https://members.wingsweb.org/why-multi-stakeholder-partnerships-are-no-longer-optional/>; Sattva Consulting, and WINGS. 2025. *Strengthening Collective Impact in South and Southeast Asia*. <https://www.sattva.co.in/publication/strengthening-collective-impact-in-south-and-southeast-asia/>; Sanabria, Esteban. 2025. *Multi-Stakeholder Partnerships in Latin America for Climate and Biodiversity*. WINGS and Latimpacto. <https://latimpacto.org/en/multi-stakeholder-partnerships-in-latin-america-for-climate-and-biodiversity/>; “Pan African Multi-Stakeholder Partnerships Ecosystem Research Report.” 2025. Issuelab.org. 2025. <https://wings.issuelab.org/resource/pan-african-multi-stakeholder-partnerships-ecosystem-research-report.html>.