



Protecting Children. Providing Solutions.

# TRUSTS AND FOUNDATIONS FOR FAMILIES: INVESTING IN TRANSFORMING CARE



## ABOUT LUMOS

Lumos, an international non-profit organisation founded by J.K. Rowling, is dedicated to ending the institutionalisation of children by 2050 – a practice that decades of research have shown is harmful to child development. We work with governments, UN agencies, civil society, community, families and children to ensure the right of every child to family life and transform the lives of estimated eight million children currently living in institutions and orphanages. We help countries transform education, health and social care systems for children and their families, and help move children from institutions to family and community-based care. By advocating at all levels, collaborating widely and running evidence-based demonstration programmes that prove reform can work, we are able to achieve maximum impact from our funding to benefit some of the most vulnerable children in the world.

## ACKNOWLEDGEMENTS AND AUTHORS

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## Executive summary

**Private philanthropy plays a central role in developing societies around the world. In the United States alone, private giving to charitable causes reached US \$410 billion in 2017. The resources and expertise in the philanthropic sector are playing an increasingly prominent role in promoting international development, human rights and social justice. The unique characteristics of relative financial and political freedom and the availability of ‘patient capital’ give private trusts and foundations (PTFs) – as key players in philanthropy – the ability to support innovative, high-risk and long-term projects, allowing them to deliver solutions to the most challenging issues in today’s world.**

The institutionalisation of children across the globe is one of those challenges. Philanthropy can be a key driver in transforming the lives of millions of children currently separated from their families and living in institutions, including so-called orphanages, and in preventing many millions more from entering them. Children living in institutions are growing up without the love and attention they need to thrive and that only a family can provide.

On average more than 80% of these children are not orphans and have at least one living parent, who – given the right support – could take care of them. More than 80 years of research has demonstrated that institutions cause long-term and sometimes permanent damage to children’s cognitive, physical, intellectual and social-emotional development. Even well-run institutions can be damaging for children, and in the worst cases, institutions are linked to abuse, neglect and even child trafficking.

Despite this, governments, the international community, private donors, trusts and foundations are still funding the establishment and maintenance of institutions across the world. While these donors often have the best intentions, the outcomes of their funding are not in the best interests

of children. By redirecting these funds to support family-based care and community-based services – through a process of transforming care – the impact of their giving could be maximised, as this form of care is more cost-effective and has the best outcomes for children.

PTFs have the opportunity to play a vital role in this change. Their ability to make commitments in, for example, unpredictable political climates, means that they can provide the stable support necessary for the process of transforming care. In addition, with flexible and nimble grant-making, PTFs can finance pilot phases, which, once results have shown to be successful and cost-effective – can be adopted by governments, which are more risk-averse.

To examine more closely the international role of philanthropy in (de)institutionalisation, this research identifies the US-based PTFs that support institutions and the amounts of funding they are providing. Lumos analysed the most recent financial data available for US-based PTFs that support institutions globally. The research identified 347 PTFs, which provide direct or indirect support to institutions in 57 countries, with the regions of Latin America and the Caribbean, and the Middle East and North Africa receiving a majority of the grants. Direct support included grants for the construction, extension and maintenance of institutions, and grants that were focused on delivering services to pay for school fees, medical expenses, clothing supplies and food for children in institutions. Indirect support included funding services for children already institutionalised.

Most of the grants awarded by PTFs went to US-based public charities supporting institutions abroad. Lumos examined the financial data of 66 public charities identified through the research as having a sole focus on institutions and found that they received over US \$104 million in gifts and grants from donors in 2015 and 2016.

## TRACKING THE FUNDS

**347 US-based PTFs awarded 445 grants between 2015 and 2016 to 265 recipients supporting institutions in 57 countries, exceeding US \$10.5 million in confirmed value.**

Recipients included: US public charities, institutions registered outside the US and faith-based organisations or churches.

Due to the lack of data and transparency, the actual amounts are likely to be much higher. Nevertheless, it is evident that PTFs and the philanthropy sector more widely contribute large sums of money that support the institutionalisation of children around the world. If this money was redirected, the funds could be used to support families living in poverty, by offering education and health services to vulnerable children, reuniting children with their families and promoting socio-economic development.

This report demonstrates that by using their financial resources, expertise, knowledge and dedication to effecting change, private trusts and foundations can become key players in ending the institutionalisation of children, raising awareness of the harms caused by institutions, and supporting communities and families to care for children. Some PTFs are already leading the way in recognising and responding to this pressing issue and there is an opportunity to strengthen and expand this group of donors that is spearheading care reform around the world.

**66 US-based public charities with a sole focus on institutions were identified through the research process. These received over US \$104 million in gifts and grants from donors in 2015 and 2016 alone.**

## RECOMMENDATIONS

Both larger and smaller PTFs have the opportunity to advance the lives of children. They can build and strengthen the systems needed to develop children’s potential by redirecting resources and pursuing alternatives that prioritise families and community support. As family- and community-based care systems are also known to be more cost-effective and sustainable than institutions, PTFs’ contributions to transforming care help reduce long-term reliance on international support, building sustainability and resilience. The philanthropic sector has the power to transform and improve the lives of millions of children that are currently deprived of nurturing family care and prevent others from suffering the same fate. Key recommendations are:

- **Do no harm.** Immediately withdrawing support to institutions is likely to harm children in the short term. Instead, develop a divestment strategy for your business to phase out support responsibly and redirect resources.
- **Support families and community responses.** Instead of supporting institutions, funds should be used to develop family- and community-based services.

- **Support children and families to have a voice.** Support meaningful participation of children and families in the change process.
- **Raise awareness and promote change.** Work with the wider philanthropic community and current grantees to raise awareness about the harms of institutionalisation and encourage them to shift their efforts to projects that create better outcomes for children and their families.
- **Change policy.** Develop internal policies, ensuring that grants do not support institutions in any form, whether directly or indirectly.
- **Strengthen partners.** Develop multi-stakeholder partnerships to support care reform and help children to thrive within their families.
- **Work with others.** Seek support from partners with experience in child protection who know and understand the local context. Ask for guidance from trusted organisations with expertise in supporting children to move safely out of institutions and back into families.
- **Protect children.** Report any child protection concerns to the appropriate authorities.



## 1. Introduction: The role of philanthropy in development

Private philanthropy<sup>1</sup> is a driver for social change. Its relative financial independence enables investment in high-risk ventures and innovative projects that deliver long-term results, and can support causes or geographic contexts that are not a priority of traditional bilateral or multilateral funders. The 'patient capital' used for tackling issues increases the philanthropic sector's potential to support programmes with long-term objectives, diminishing reliance on the short-term funding cycles characteristic of many international development programmes. As private philanthropy is becoming more visible across the world, it can also raise awareness and help set the agenda about important issues. The philanthropic community can attract donations to fund projects and non-profit organisations and increase the number of volunteers and supporters for the promoted causes.

There is an increased focus on transparency within philanthropic funding. Within the private philanthropic sector, data on foundation giving are starting to be quantified and analysed, but there are still limitations in the scope of data collection, monitoring and reporting. The OECD estimates that private foundation giving for development reached US \$23.4 billion between 2013 and 2015, or an average of US \$7.8 billion per year. The very factors that underpin private philanthropy's potential – such as its relative freedom from political influence and willingness to provide flexible funding – also limit the ability to accurately calculate and assess the value of its contributions to international development.



## A GLOBAL PICTURE OF PRIVATE PHILANTHROPY



### NORTH AMERICA

In the US, private philanthropic giving reached **US \$410 billion** in 2017. Individual donors gave **US \$286.65 billion**, representing 70% of the total philanthropic giving. Foundations gave **US \$66.90 billion**, or 16%. Donations through bequests reached **US \$35.70 billion**, or 9%. Corporations gave **US \$20.77 billion**, accounting for 5% of the total giving by private philanthropy.<sup>2</sup>



31% of the **US \$410 billion** went to **religious causes**, 14% to **Education** and 12% to **'Human Services'**.<sup>7</sup>

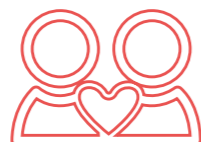


The Bill & Melinda Gates Foundation is the largest private foundation in the US and gave an estimated **US \$11.6 billion** between 2013 and 2015.<sup>8</sup>



### LATIN AMERICA

Private philanthropy is mainly seen as a moral and social responsibility, and it tends to be linked to **family values and faith**.<sup>9</sup>



Private philanthropic actors in the region are now investing more strategically, looking to maximise their funding and create greater impact. The main causes supported by philanthropic donors include: **education, poverty alleviation, arts and culture, community development and health**.<sup>10</sup>



In Mexico, a 2010 report estimated the overall giving at approximately **US \$653 million**: 57% from individual donors, 29% from foundations or philanthropic institutions, and 14% from corporations.<sup>11</sup>



### EUROPE

Giving patterns in Europe are diverse, but the three main areas of foundation funding are **international aid, social welfare and religion**.<sup>12</sup>



There are more than 147,000 'public benefit foundations'<sup>13</sup> in Europe, with an estimated combined annual expenditure of nearly **€60 billion**.<sup>14</sup> German foundations have the highest level of annual expenditure, with an estimated **€17 billion**. Italy ranks second with **€9.95 billion**, followed by Spain (**€8.07 billion**) and France (**€7.5 billion**).<sup>15</sup>



In terms of individual giving, the United Kingdom is by far the largest contributor with **€11.6 billion**.<sup>16</sup>



### MIDDLE EAST

Social change is listed as the main priority for regional philanthropic donors, and many (67%) are motivated by **religious faith**.<sup>17</sup>



The number of billionaires in the Middle East is increasing, and their giving is also rising alongside their assets.<sup>18</sup> The median gift by major Ultra High Net Worth philanthropists in the Middle East is **\$5 million**.<sup>19</sup>

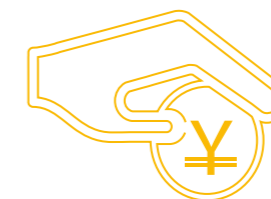


Philanthropic giving in the Middle East is not limited to individual donations; 43% of the 'richest billionaires' included in a 2013 Forbes poll had their own foundations.<sup>20</sup>



### ASIA

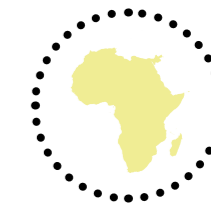
The most prominent motivation for philanthropy in Asia is **'Giving back to society'**.<sup>21</sup>



Philanthropy in Asia is on the rise. In China, there has been a **430%** increase in the number of registered charitable foundations in the last ten years, reaching 5,545 in 2016.<sup>22</sup>



One of the most important trends is the transition from chequebook philanthropy to strategic philanthropic giving.<sup>23</sup> Donors are becoming more concerned about the outcomes of their giving and are exploring innovative tools to achieve their philanthropic goals.<sup>24</sup>



### AFRICA

Due to limitations in data collection and monitoring, it is difficult to calculate the total scope of African philanthropic giving, and a significant number of donations are given informally and at the individual or community level.<sup>25</sup>



The number of high-net-worth individuals grew by **150%** from 2000 to 2013, increasing the number of people donating through their corporations and private foundations.<sup>26</sup>



Regional initiatives are already in place to structure the sector and make philanthropy more strategic, including the work of the Africa Grantmakers' Affinity Group (AGAG) and the Africa Philanthropy Forum. Both favour cooperation and sharing of best practices to conduct strategic investments and donations.<sup>27</sup>





## THE ROLE OF PRIVATE TRUSTS AND FOUNDATIONS

Private trusts and foundations (PTFs) have grown larger and more prominent within the wider sector of private philanthropy, especially because their assets are growing.<sup>28</sup> In the United States, the country where PTFs possess the largest assets, foundation giving reached US \$66.90 billion in 2017,<sup>29</sup> representing an increase of US \$25.90 billion in the last seven years.<sup>30</sup> However, this only represents approximately 16% of the US \$410 billion given by private donors in 2017, with individual donations accounting for 70%.<sup>31</sup> Despite this dominance of individual donations in private philanthropy, the more strategic and structural approaches often employed by PTFs make them particularly well positioned to achieve social change. PTFs can advocate for and raise awareness about the most critical challenges that societies face. Unlike public charities, PTFs are controlled exclusively by their donors and this level of control makes PTFs attractive and influential donors within the broader private philanthropic community, as they have more autonomy over what they fund, where to fund it and how to handle their projects. They can use their ability to innovate, as well as their expertise and influence, to shape policies in response to these challenges.<sup>32</sup>

The sector is committed to supporting vulnerable children and young people,<sup>33</sup> with many encouraging examples of PTFs promoting, protecting and fulfilling the rights of children. Nevertheless, there is evidence that some are still funding the maintenance and establishment of children's institutions around the world. While these PTFs often have good intentions, the outcomes of their funding are not in the best interests of children. To highlight this issue, Lumos has identified and analysed significant amounts of money which have been used to fund the institutionalisation of children in different countries.

The research focused on the US, where foundation giving is on an unparalleled scale.<sup>34,35</sup> In the US, foundations are subject to more stringent controls than in many other countries and need to submit their financial tax returns annually to disclose information about their financial activities and programmatic priorities.<sup>36</sup> This wealth of information allows for insightful data collection and analysis. This report presents the findings of the research and outlines the case for redirecting investment towards family-based care and community-based services as an alternative to institutional care. It also provides examples of PTFs already leading the way.

## 2. The institutionalisation of children

### THE HARM OF INSTITUTIONALISATION

More than 80 years of research from across the world has demonstrated the significant harm caused to children in institutions, who are deprived of loving parental care.<sup>37</sup> The outcomes of institutionalisation can be dire. Long-term effects of living in institutions can include disability, irreversible psychological damage and increased rates of mental ill-health, involvement in criminal behaviour and suicide.<sup>38</sup> Evidence also shows that children in institutions are at an increased risk of violence, abuse and neglect, often by the staff, officials, peers, volunteers and visitors responsible for their well-being.<sup>39</sup> Documented abuse includes torture, beatings, isolation, restraints, sexual assault, harassment and humiliation.<sup>40</sup> Children with disabilities in institutions are at even greater risk of abuse.<sup>41</sup> There is considerable evidence of reported physical, emotional and sexual abuse, discrimination and violence, including food deprivation, electroshock therapy without anaesthesia and routine hysterectomies for young girls.<sup>42</sup>

### INSTITUTIONALISATION – AN OVERVIEW



#### WHAT IS AN INSTITUTION?

**Institutional care is care within a residential setting where residents are compelled to live together in an 'institutional culture'.**

It separates residents from the broader community and tends to be characterised by depersonalisation, rigid routines, block treatment, isolation and segregation from the wider community. In an institutional culture, the requirements of the institution take precedence over individual needs and residents do not have sufficient control over their lives and decisions which affect them.<sup>43</sup>



#### WHY ARE CHILDREN IN INSTITUTIONS?

**On average more than 80% of children living in institutions have at least one living parent that could take care of them, if adequately supported,<sup>44</sup> and almost all have a relative that could look after them.**

The drivers of institutionalisation vary according to different countries, but commonly children are institutionalised due to poverty, lack of social services, conflict, disability, natural disasters or as a result of trafficking.<sup>45</sup>

Children may also find themselves admitted to institutions for the sole purpose of exploitation and are actively 'recruited', often using promises of education and food.<sup>46</sup> These institutions exist to attract the lucrative international flows of volunteers, donations and other funding. This form of exploitation is increasingly being recognised as a form of trafficking.<sup>47</sup>



#### WHAT IS THE ALTERNATIVE FOR CHILDREN AND THEIR FAMILIES?

**The process of moving away from large institutions and shifting the system towards family and community-based services is known as transforming care.**

The majority of children in institutions could be reunited with their families and receive the love and support they need to thrive. When family reunification is not possible, family and community-based care, such as foster care, needs to be available.

Families can be supported through community-based services, which refer to the spectrum of services that enable families to stay together in their own communities, including housing, healthcare, education, employment, culture, leisure and specialised services for children and people with disabilities.



## MAJOR ORGANISATIONS AND FUNDERS DO NOT SUPPORT INSTITUTIONALISATION

A child's right to a family is recognised in several major legal instruments across the globe, and the international community is moving away from funding institutional care systems.

**The UN Convention on the Rights of the Child (UNCRC)** recognised that all children have a right to live with their families. It is the responsibility of parents to raise their children and the responsibility of the state to support parents to fulfil that responsibility.<sup>48</sup>

**The African Charter on the Rights and Welfare of the Child (ACRWC)** declares that children separated from their parents should get special protection and be provided with alternative family care. All possible steps should be taken to trace and reunite children with their parents.<sup>53</sup>

**The UN Convention on the Rights of Persons with Disabilities (UNCRPD)** affirms that all persons with disabilities have equal rights to live in the community.<sup>49</sup> For children, this means being in a family environment and receiving quality care and protection.

**The European Convention on Human Rights (ECHR)** states that family life is protected from unlawful interference, and children and families have the right not to be separated unless it is both necessary and proportionate.<sup>54</sup>

**The Guidelines for the Alternative Care of Children** affirm that actions taken concerning children must ensure that they remain in family care and that children outside the home are reunited with families.<sup>50</sup> The guidelines call for a gradual phasing out of institutions, accompanied by the implementation of care reform.<sup>51</sup>

**The Arab Charter on Human Rights** asserts that the State and society shall ensure the protection of the family and the strengthening of family ties, and provide adolescents and young people with the best opportunities for physical and mental development.<sup>55</sup>

**The 2030 Agenda for Sustainable Development** states that the family plays an essential role in achieving the principle of leaving no one behind. Greater disaggregation of data is needed to meet the needs of the most vulnerable, including children.<sup>52</sup>

**The European Union** is at the forefront of promoting family and community-based care, and it is ensuring that no further investment goes to harmful institutional settings within its borders or in its external funding.<sup>56</sup>

**The Inter-American Convention on the Elimination of all Forms of Discrimination Against Persons with Disabilities and the Arab Charter on Human Rights** state that all children have the right to live, where possible, with their families. Children with disabilities have the right to be included in society.

**Advancing Protection and Care for Children in Adversity - A U.S. Government Strategy for International Assistance** outlines the US Government's commitment to investing in the world's most-vulnerable children and their families. One of the three main objectives is to support children who are, or are at risk of, living outside family care by promoting, funding, and supporting nurturing, loving, protective, and permanent family care.<sup>57</sup>

## 3. Tracking funding from PTFs to institutions

This research has identified the US-based PTFs that support institutions to gain a better understanding of the funding landscape. Lumos found that the majority of grants identified were given to US-based public charities that support or manage institutions or institutionalised children around the world. Therefore, the financial information from the public charities that receive such funds was also analysed. These public charities were all based in the US and were selected because they exclusively support institutions through their programmatic activities and priorities. The results are presented below.

### PTFS' GRANTS, PROJECTS AND FUNDS PROVIDED TO SUPPORT INSTITUTIONS

Using the most recent available financial data,<sup>61</sup> Lumos identified 347 private trusts and foundations based in the US that supported institutions in 2015 and 2016.<sup>62</sup> Among these PTFs, 23 supported institutions during both years, and 34 gave grants to multiple recipients.

In total, US-based PTFs awarded 445 grants to 265 organisations supporting institutions worldwide, awarding funds that exceeded US \$10.5 million.<sup>63</sup> In reality, the full value of private funding flows from PTFs to institutions is likely to be much higher. This is because not all PTF's tax returns for 2016 were available at the Foundation Center at the time of this research.<sup>64</sup> Additionally, the data comes from self-reported financial forms, and the descriptions provided by grant-makers about the nature of their grant allocations are sometimes of limited quality or lack details.<sup>65</sup>

By analysing more closely the programmatic activities of each of the 445 grants, Lumos identified that some trusts and foundations support the setting up and running of institutions, while others use their grants to provide services for vulnerable children already institutionalised.

In the United States, a private foundation is defined as an organisation working exclusively on charitable activities and whose funds usually come from a single source, such as an individual, family or corporation.<sup>58</sup> The main difference between private foundations and public charities is that the latter receive their income from a variety of sources, including the general public.<sup>59</sup> Additionally, in the US, private foundations are controlled exclusively by their donors, whereas public charities are required to choose a diverse board of directors to handle their governance.<sup>60</sup>



## US PRIVATE TRUSTS AND FOUNDATIONS SUPPORTING INSTITUTIONS AROUND THE WORLD

### DIRECT SUPPORT TO INSTITUTIONS:

Some PTFs provide grants to institutions to build new facilities, extend the size of the current buildings, buy land to start new institutions or improve the conditions of existing dormitories, education facilities and health centres. Grants are also being used to support the financial costs of running an institution.

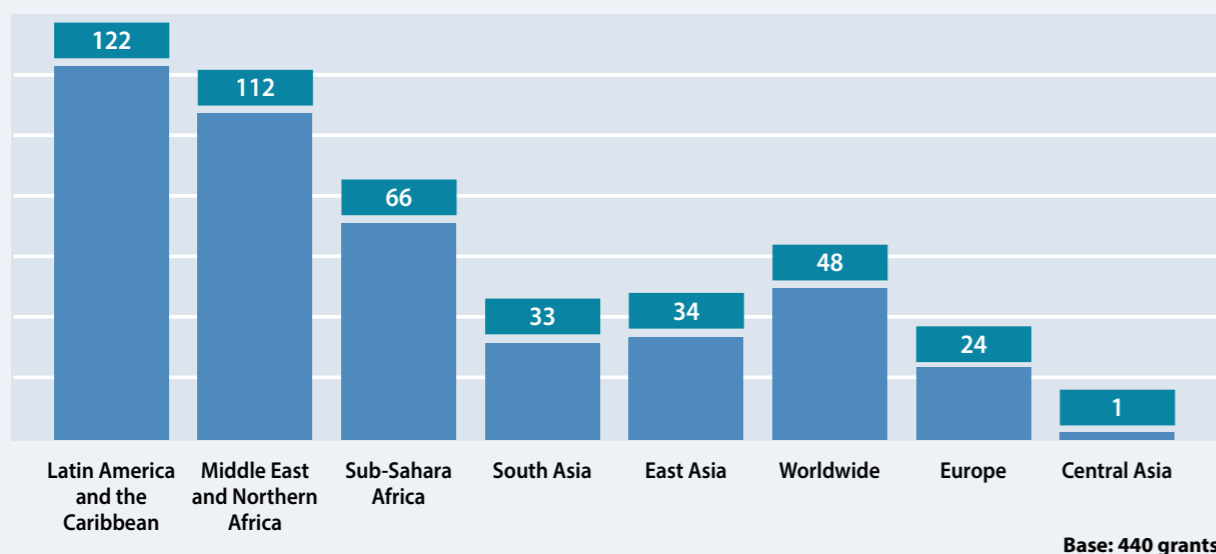
### SUPPORT TO INSTITUTIONALISED CHILDREN:

Grants are used to pay for school fees, medical services, clothing and food for children in institutions. Others are used to provide training and equipment to develop children's IT skills.

**Most of the grants (76%) were given to US-based charities supporting institutions overseas, and 24% were given directly to institutions outside the US.** This means that while the US government is promoting its international development policy of transforming care with a focus on family-based care,<sup>66</sup> US PTFs and non-profits still send millions of dollars to institutions worldwide.

Out of the 445 grants, 440 had data available on recipient country. A majority of these were given to Latin America and the Caribbean (LAC) (27%), followed by the Middle East and North Africa (MENA) (25%), and Sub-Saharan Africa (15%).<sup>67</sup>

Number of grants from PTFs to institutions by region (2015–2016)



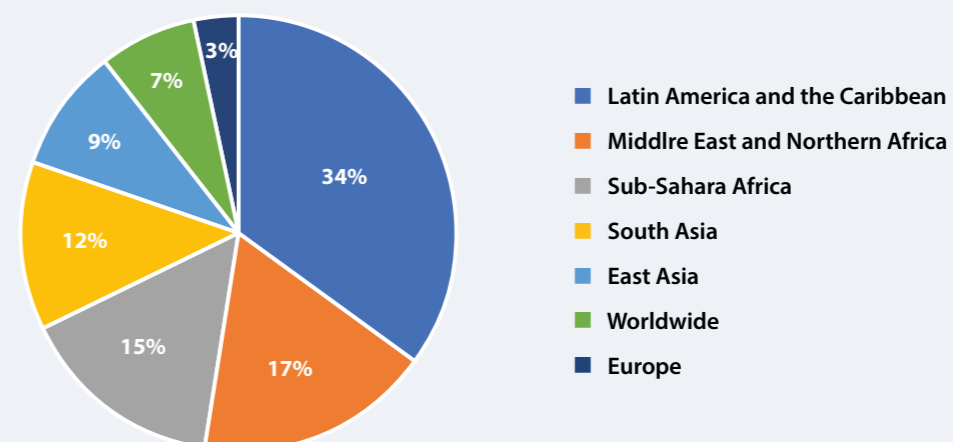
To determine the scope of foundation giving, Lumos traced the project location for each of the grants and identified institutions in 57 countries receiving the funds. In LAC 52% of the grants went to two countries, Haiti and Mexico; in MENA 87% went to one country, Israel; and in Sub-Saharan Africa 48% went to three countries, Kenya, Uganda and South Africa.<sup>68</sup>

Number of grants from PTFs to support institutions, by destination country



When looking at the proportion of funding given to each region, rather than the *number of grants*, results also show a preference for Latin America and Caribbean countries, which received 34% of the total allocated funds. The Middle East and Northern Africa region received 17%, followed by Sub-Saharan Africa (15%), South Asia (12%) and East Asia (9%). Projects classified as regional or worldwide received 7% of the funds, and European countries received 3%.<sup>69</sup>

Proportion of overall PTF funding in support of institutions, by region



The results also highlight the strong presence of faith-based foundations and charities supporting institutions globally. **62% of all grantees are identified as faith-based charities, churches or institutions, accounting for US \$6.6 million in grants.** Christian and Catholic grantees receive most of the grants (59%), followed by Jewish charities and institutions (35%). The support that the faith-based community provides is not only limited to grants that cover operational costs. They are also involved in building new institutions, buying land to construct new homes or extend the existing ones, constructing health centres for institutions, and supporting institutionalised children by paying for their school fees and providing basic services such as drinking water, food, clothing and medical care.



## US PUBLIC CHARITIES RECEIVING GRANTS TO SUPPORT INSTITUTIONALISATION

To develop an estimate of the amount of funding from private philanthropic actors that goes to institutions, Lumos examined the grantees of the 347 PTFs identified, with a focus on public charities. As a result, 66 public charities were identified, all based in the United States, where they are required by law to submit their financial data with detailed information about their funds, revenues and expenditures.<sup>70</sup> To ensure the integrity of the estimate, public charities were only included in the data set if it could be demonstrated that **supporting institutions was their only priority**.<sup>71</sup>

**From these 66 public charities alone, Lumos traced over US \$104 million received during 2015–2016 in the form of gifts and grants,**<sup>72</sup> accounting for 85% of their revenue.<sup>73</sup> While it is not possible to determine what proportion of these funds were given by PTFs or individual donors, this sum highlights the scope of philanthropic activity that supports the institutionalisation of children, and the hundreds of millions of dollars that the global 'orphanage business'<sup>74</sup> represents.



### TRACKING THE FUNDS

**347 US-based PTFs awarded 445 grants between 2015 and 2016 to 265 recipients supporting institutions in 57 countries, exceeding US \$10.5 million in confirmed value.**

Recipients included: US public charities, institutions registered outside the US and faith-based organisations or churches.

**66 US-based public charities with a sole focus on institutions were identified through the research process. These received over US \$104 million in gifts and grants from donors in 2015 and 2016 alone.**

If the US \$104 million given to public charities supporting institutions were redirected, the funds could be used to offer education and health services to vulnerable children, reunite children with their families and promote socio-economic development.

## ALTERNATIVE USE OF US \$104 MILLION

1

**Support 1.4 million children** aged 3–15 who are most directly affected by crises and emergencies around the world, and who are at risk of education disruption, displacement and school dropout.<sup>75</sup>

2

**In Haiti, all 30,000 children** living in institutions could be cared for in families,<sup>76</sup> as well as 60% of the 207,000 children under the age of 15 working in the most unacceptable situations of domestic child labour.<sup>77</sup>

3

**In the Czech Republic, 86,667 children** could be supported through community-based family care for one year.<sup>78</sup>

## THE NEED FOR TRANSPARENCY AND DATA COLLECTION

**Despite the recognition of the crucial role that PTFs – and private philanthropy more generally – play in international development, there is a lack of data collection and sharing about global philanthropic giving. Tracking philanthropic funding is difficult, as there are limited to non-existent legal requirements around the world for PTFs to release their financial information and grant allocations, let alone for individual philanthropic giving. Without proper analysis of these financial flows, it is hard to assess the scope and impact of their donations supporting institutions worldwide.**

High-quality data are needed to improve efficiency and impact of the philanthropic sector, and it can also help donors to make informed decisions about their funding and avoid the replication of investment failures.<sup>79</sup> Similarly, by improving data collection and sharing, PTFs and other philanthropic donors can evaluate the impact of their grants. This will maximise the effects of their funding and promote the transparency of, and trust in, their grant-making activities.

Some data collection initiatives are already creating promising changes, such as the work of the Foundation Center and GuideStar, which merged into Candid.<sup>80</sup> This has been crucial to the collection of data about PTFs and public charities in the US and is making data more accessible to the public. Their GlassPockets initiative focuses on bringing transparency and openness to the world of philanthropy.<sup>81</sup> PTFs have the capacity to serve the public good, while maintaining more independence than non-profit organisations and bilateral or multilateral donors. Increased transparency will not take away this freedom. It will instead allow PTFs to show the world what they do and why they do it, avoiding distrust about their funding procedures<sup>82</sup> and demonstrating that PTFs are a key driver for social progress.





## 4. Investing in vulnerable children

There are many compelling reasons for investing in children, beyond the obvious importance of helping children realise their rights. It can unlock significant long-term social and economic value. It can reduce the risk of social exclusion and reliance on the State and instead increase wage-earning potential, benefiting society as a whole.<sup>83</sup> Investment in children ultimately promotes more equitable and inclusive societies, with the benefits far outweighing the costs.<sup>84</sup>

**Among the grants that PTFs gave in 2016 and that align to the Sustainable Development Goals, an estimated US \$1.7 billion was allocated to projects supporting children and youth,<sup>85</sup> followed by grants supporting women and girls (US \$605.7 million) and people with disabilities (US \$178.2 million).<sup>86</sup>**

Supporting family- and community-based care instead of institutions will amplify investment in children. Both large and small-scale PTFs have the potential to advance the lives of children across the world. They can help build and strengthen the systems needed to develop children's potential by directing their resources and expertise towards ending the institutionalisation of children – a problem which Lumos believes can be eradicated in our lifetime.<sup>87</sup>

### OPPORTUNITIES FOR CATALYST FUNDING OF THE ALTERNATIVE: TRANSFORMING CARE

Investing funds to support family- and community-based services is crucial, especially in developing countries where universal healthcare and education services may be limited or do not reach the whole population. The most vulnerable families often see institutions as the only way of ensuring education, healthcare and food for their children.<sup>88</sup> Donors who support services in institutions are inadvertently encouraging parents to give their children away and can contribute to the proliferation of institutions and the trafficking of children.<sup>89</sup>

Many PTFs are committed to ensuring that all children have a better life. Yet, substantial amounts of philanthropic money are still being invested in a system that limits the life chances of children.<sup>90</sup> In addition to the poor outcomes for children, the resulting social and economic costs to society are potentially very high.<sup>91</sup> Institutions do not offer a long-term solution to the drivers of family separation, such as poverty, nor do they provide adequate care for children who are not able to live with their birth family. Furthermore, studies consistently demonstrate that institutional care costs significantly more per child than good-quality family support services or foster care.<sup>92</sup> Supporting institutions thus brings about an inefficient use of short-term funds as well as a negative cost-benefit ratio in the long run.



The alternative is care reform – transforming services to ensure that children can live with their families, or in family-based or family-like care in the community. This typically includes strengthening child protection and care systems and ensuring universal access to education and healthcare. It also involves redirecting funding away from institutions and towards community-based services, which deliver better outcomes and allow for more vulnerable children to be supported on the same budget. This new model of care creates long-term, sustainable systems for children and families that are not perpetually dependent on donations.

PTFs are well placed to provide substantial and coordinated support to keep families together and strengthen alternative care in a range of cultures and contexts. For successful and sustainable care reform, long-term planning is needed that focuses on moving children out of institutions into family care, addresses the root causes of institutions and prevents further institutionalisation. The ability of PTFs to make commitments in, for example, unpredictable political climates, means that they can provide the stable support that is necessary for this process. In addition, with their flexible and nimble grant-making, PTFs can finance pilot phases, which, once results have shown to be successful and cost-effective, can be adopted by governments, which are more risk-averse. Many governments may also have difficulties providing the funding needed for the transition phase in care reform. There may, for example, be notable

short-term costs when establishing the new system and setting up new services while running the old system in parallel. Foundation and other philanthropic funding can play a catalytic role in meeting this need and transitioning systems of care.

Grants could be used to support programmes that reunite children with their families, strengthen households economically, and provide healthcare, inclusive education, day care services, and other strategies to help caregivers provide for their own children. These alternatives uphold the UNCRC, offer better outcomes for children and have the potential of benefiting more families. Moreover, the establishment of a new, more cost-effective system reduces the long-term reliance on international support, building independence and resilience.

**Rather than merely maintaining an outdated system, which offers at best a short-term care solution for vulnerable children, philanthropy can act as a catalyst for positive, long-term, transformative change that ensures better outcomes and fulfils the rights of vulnerable children. By changing their funding policies and practice, private philanthropic donors, whether large or small, can become advocates for transforming care and be at the forefront of fulfilling children's rights and ensuring their protection around the world.**



## PROMISING EXAMPLES OF PTFs SUPPORTING FAMILY AND COMMUNITY-BASED CARE

**PTFs can play a vital role in ending institutionalisation and reuniting children with their families. Numerous positive examples of PTFs allocating financial resources to family strengthening, family care and community-based services have been emerging from different corners of the world, with pioneering trusts and foundations already transitioning from supporting institutions to funding alternatives that enable families to stay together.**

### GHR FOUNDATION

The GHR Foundation is an independent family foundation based in the US that funds programmes in three major areas: international development; education; and health.<sup>93</sup> In 2016, the foundation awarded more than US \$21.8 million in grants to 100 organisations across the world.<sup>94</sup> As part of their global development programmes, the foundation's Children in Families funding stream focuses on child protection interventions to strengthen families and to support children who are deprived of family care. GHR funds community-based models of care and programmes that link families to the support systems they need. Through Children in Families, the GHR Foundation also promotes systemic change to end institutionalisation with pro-family child protection alliances and effective policies that prioritise family-based care. The foundation also promotes innovative research on transforming care as one of their funding priorities.<sup>95</sup>

The Children in Families funding stream has supported grants in Nepal, Azerbaijan, Ukraine, Vietnam, Guatemala, Uganda, Zambia and Cambodia.<sup>96</sup> In its 2016 annual report, GHR highlights that they awarded 17 grants worth US \$3.1 million that year. In Cambodia, they partnered with a Christian non-profit, and in only six months they managed to provide training on the minimum standards of institutional care, raise awareness about the importance of a family-like environment and reunite children with their families.<sup>97</sup>

### WORLD CHILDHOOD FOUNDATION

The World Childhood Foundation aims to prevent abuse and exploitation of children around the world. It seeks to provide a safe environment that allows children to develop socially and intellectually,<sup>98</sup> and currently supports over 100 projects worldwide.

The foundation prioritises families and family-like settings and recognises that when children cannot live with their families, they need alternative care to avoid institutionalisation.<sup>99</sup> The foundation supports care reform, family reunification, and projects that help adolescents who grew up in institutions. Some of their current projects include:

- The Family Reintegration and Family Support programme, which offers transitional homes, family reintegration and family-based alternative care for at-risk children in Cambodia;
- The Quality Childcare in Alternative Settings project, which is focused on personalised and intensive foster care for children that are currently in institutions or are at risk of being institutionalised in Lithuania; and
- The Family at the Core – Empowering Family Support Services project in Chisinau, which targets family supports services delivered by the state in Moldova.<sup>100</sup>

### OAK FOUNDATION

The Oak Foundation focuses on addressing social, global and environmental challenges, and works with the principles of promoting social justice and improving the lives of the most disadvantaged populations. With its main office in Geneva, the foundation also has a presence in Bulgaria, Denmark, India, Tanzania, the UK, US and Zimbabwe, and has granted over 4,000 grants since it was established in 1983.<sup>101</sup> Currently, the Oak Foundation runs 11 programmes, including projects that focus on child abuse, housing and homelessness and international human rights. In 2016, the foundation awarded 353 programme grants worth over US \$185 million, plus US \$20 million for a Special Initiative programme and US \$11.9 million in discretionary grants.<sup>102</sup>

As part of their Child Abuse programme, the Oak Foundation supports care reform, family-based care and community support to families and children. The foundation has promoted the development of a child protection system in Bulgaria and is now funding a project to promote global and national care reform in five other countries. This project consists of piloting a tool to track the implementation of the UN Guidelines for the Alternative Care of Children and to develop an online course on alternative care.<sup>103</sup> In Kenya, it supports children's well-being through community-based mechanisms and strategies to strengthen the national child protection system.<sup>104</sup>

### ONE SKY FOUNDATION

One Sky Foundation is a Thai foundation that promotes family-care and community-based services for vulnerable families. It provides solutions that focus on child protection, education, healthcare, family-based care and income generation strategies to avoid unnecessary and harmful family separations.<sup>105</sup> The work of One Sky Foundation is also in line with the UNCRC, and it works to keep families together and to trace and reunite them.<sup>106</sup>

The Child Protection and Family Support team supported 124 families in 2015, helping 259 children to remain at home and receive the basic services that they need.<sup>107</sup> It supports families by providing adequate food, shelter, financial help, counselling, family reunification, legal advice, education opportunities and healthcare.<sup>108</sup> The foundation also has projects for family tracing, family reintegration, children leaving care, maintaining family links and preventing children from entering children's institutions.<sup>109</sup>





## 5. Conclusions and recommendations

**Thanks to their increasing donations, their financial and political freedom, and the innovation and influence they can offer, private trusts and foundations have the potential to create a long-lasting, positive impact in the lives of vulnerable children worldwide.**

Some PTFs are already at the forefront of promoting family-based care and community solutions to help families stay together. However, others continue to allocate funding to support institutions and may be unaware of the dire consequences of institutionalisation on child development and well-being. Redirecting funds to support and spearhead family- and community-based care projects can maximise the impact of funding and raise further awareness within the broader philanthropic community of the effects of institutionalisation. Key recommendations for all PTFs:

- Do no harm. Immediately withdrawing support to institutions is likely to harm children in the short term. Instead, develop a divestment strategy for your business to phase out support responsibly and redirect your support.
- Support families and community responses. Instead of supporting institutions, funds should be used to develop family- and community-based services.
- Support children and families to have a voice. Support meaningful participation of children and families in the change process.
- Raise awareness and promote change. Work with the wider philanthropic community and current grantees to raise awareness about the harms of institutionalisation and encourage them to shift their efforts to projects that create better outcomes for children and their families.
- Change policy. Develop internal policies, ensuring that grants do not support institutions in any form, whether directly or indirectly.
- Strengthen partners. Develop multi-stakeholder partnerships to support care reform and help children to thrive within their families.
- Work with others. Seek support from partners with experience in child protection who know and understand the local context. Ask for guidance from trusted organisations with expertise in supporting children to move safely out of institutions and back into families.
- Protect children. Report any child protection concerns to the appropriate authorities.





## ANNEX 1: KEY DEFINITIONS

### COMMUNITY-BASED SERVICES

Community-based services are defined as services that can prevent family separation and institutionalisation by helping children and their families to get the support they need within their own communities. Community-based services are needed to replace institutions and ensure that children develop to their full potential within a safe and loving family environment. The most common examples include universal healthcare, inclusive education, day care services, substitute family care, family support services, social benefits, housing support, adequate care for disabled children, among others.<sup>110</sup>

### HIGH-NET-WORTH INDIVIDUAL

A high net worth individual is an individual with assets in excess of a certain amount. This amount can vary between institutions and regions.

### ORPHAN

An orphan is traditionally understood as a child whose parents are both deceased. However, according to global development indicators used by some organisations, the definition of an orphan is a child who has lost either one or both parents. The growing use of this latter definition has meant that the number of orphans has been overestimated, resulting in the widespread belief that there is an orphan crisis globally. However, research shows that 80% of children living in orphanages have one or two living parents.<sup>111</sup> Most children are placed in orphanages for a complex combination of socio-economic reasons – poverty, disability, lack of housing, and lack of access to health and education services – highlighting the urgent need for better support for families.

### ORPHANAGE

Orphanage is a term commonly used to describe an institution that houses children who have been separated from their parents, due to parental death, child abuse and neglect at home, but more often due to a combination of socio-economic reasons. The terms orphanage and institution are often used interchangeably because orphanages, like institutions, tend to be characterised by a prevailing institutional culture. An orphanage can be said to have an institutional culture when:

- children are isolated from the broader community and compelled to live together

- children and their parents do not have independent control over the children's lives and over decisions which affect them
- the requirements of the orphanage itself take precedence over the children's individual needs
- the nature of the environment means that children struggle to form attachments crucial to healthy physical and emotional development.<sup>112</sup>

### PHILANTHROPY

Philanthropy has been defined as 'giving to strengthen the infrastructure of society, that is, to develop institutions that serve human needs or enhance human development over the long run.'<sup>113</sup> The concept may, however, mean different things depending on who uses it and in what context. Philanthropy usually incorporates corporate, trust, foundation and individual donors.<sup>114</sup> This report focuses specifically on philanthropy by private trusts and foundations in the United States.

### PRIVATE FOUNDATION

The definition of private foundation varies in different countries, and the one used in this report is based on the US legal definition, which classifies organisations that operate exclusively on charitable activities as private foundations or public charities.<sup>115</sup> While private foundations and public charities are both working with charitable purposes, the main difference is that private foundations typically receive their funds from one single source, such as an individual, family or corporation, while public charities receive their income from the general public and through a variety of sources. This means that private foundations are controlled exclusively by their donors.<sup>116</sup> Additionally, private foundations make grants, while public charities generally receive grants to support their charitable activities and to provide services.<sup>117</sup> Private foundations can be categorised according to their sources of income, internal governance or the activities that they perform. However, these classifications are not legal and are only used to describe them. They can be referred to as independent, family, corporate, operating or non-operating foundations. Community foundations are not considered private foundations in the US because they receive their income from different sources, including the general public. The denominations of trust and private

foundation are often used interchangeably and do not always reflect the entity's legal status. For this reason, this report therefore uses the collective term private trusts and foundations (PTFs).

### PRIVATE TRUSTS AND FOUNDATIONS (PTFS)

The collective term private trusts and foundations is used throughout this report to encompass all types of private foundations as well as private or charitable trusts in the United States.

### TRUST (PRIVATE OR CHARITABLE)

In the United States, the definition of trusts differs from that of private foundations and public charities, as trusts are founded on a legal relationship where one or more persons, the 'trustees', hold the property of another individual, the 'settlor'.<sup>118</sup> The trust's use of this property is subject to certain duties.<sup>119</sup> When these duties stipulate the use solely for the benefit of a (segment of) the general public, the trust is known as a charitable trust.<sup>120</sup> If not, it

is usually known as a private trust. However, in the United States charitable trusts are often also called foundations, even when this is not their legal identity.<sup>121</sup> To avoid unnecessary confusion, this report therefore uses the collective term private trusts and foundations (PTFs).

### PUBLIC CHARITY

Like private foundations, public charities in the US are classified under Section 501(c)(3) of the Internal Revenue Code. Contributions to public charities are tax deductible and can only be used for charitable purposes and without any association to political campaigns.<sup>122</sup> Public charities differ from private foundations, mainly in that public charities receive their income from multiple sources, such as the general public, government, and private foundations. In addition, public charities are required to choose a diversified board of directors to handle their governance.<sup>123</sup> Public charities may sometimes be called public foundations, which is different from private foundations.<sup>124</sup>

## ANNEX 2: METHODOLOGY

In the first stage of this research, Lumos collected and analysed public quantitative data from 347 PTFs registered in the US that were identified as allocating grants to support institutions during 2015–2016. All data were collected using 990-PF tax return forms, which provided information about grant allocation, project location and project descriptions. The 990-PF tax returns were obtained using the Foundation Center (FC), which collects data about PTFs and charities and presents it electronically. The project was discussed with the Foundation Center during the course of the research.

Lumos conducted the research before the FC updated the Foundation Directory Online (FDO), a tool that aggregates data for fundraising purposes. Therefore, all data were collected through a manual search of all 990-PFs using keyword searches. The steps were the following:

- Search 990s
- Keywords: orphan, orphanage, child home
- Fiscal year: 2015 and 2016

The results showed all 990-PFs that included the keywords, but not all of them were from PTFs allocating grants to institutional care or orphanages. The results included over 1,000 990-PFs, which had to be downloaded individually to look at the grants, grantees and project description. After analysing all the results, 347 PTFs were identified as grant makers supporting institutions.

The second stage of the research consisted of analysing financial data of US-based public charities receiving the grants. Lumos analysed data of 66 public charities registered in the US and supporting institutions exclusively; 58 of the 66 were identified in the first stage of the research and 8 were identified through the course of the second stage when searching for a different charity, when they had a similar name. 990 tax returns<sup>125</sup> were retrieved from GuideStar and provided information about the total gifts and grants allocated to these charities, as well as other contributions made from fundraising events, federated campaigns and membership dues. Data about their total revenue, expenditure and programmatic expenses were also examined.

A conservative approach was taken to the estimated spend on institutions, in that we excluded charities that support institutions alongside other activities/priorities. To be included in the data set of public charities receiving grants (n=66), it had to be clear that supporting institutions was their only priority. Public charities that supported other causes besides institutions, including adoption, anti-trafficking and vulnerable families, were excluded.

### LIMITATIONS

The availability of data about the grant allocation process was the main limitation of this research. Many PTFs had not submitted their 2016 tax returns at the time of research and were not available at the Foundation Center, and the data collection relied on the amount of description given by PTFs about their grant allocations. Keyword searches were necessary to pull the data from the Foundation Center, but they limited the data collection if a PTF was not providing enough description about the grantees, the project or the beneficiaries. Additionally, the design of the 990 tax form for public charities does not allow a distinction between gifts and grants and categorises this philanthropic activity under the same classification. Therefore, it is not possible to distinguish between grants awarded by private foundations, and donations given by individuals, non-profits or corporations.

The US was the only country identified by Lumos with enough publicly available financial information from PTFs and their grant allocations to conduct an analysis. More data collection and sharing are needed worldwide to determine the scope of foundation giving to institutions and family-based care.

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56 The 1303/2013 Regulation for the use of the European Structural and Investment Funds (ESIF) Under the areas of interventions for global challenges one of the priority proposed is 'Promoting new initiatives to build stronger child protection systems in third countries, ensuring that children are protected in all areas from violence, abuses and neglect, including by promoting the transition from institutional to community-based care for children', committing EU to continue the promotion of care reform of children in development context also during the next financial framework 2021-2027.

57 USAID (2019) Advancing Protection and Care for Children in Adversity - A U.S. Government Strategy for International Assistance. 2019–2023.

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61 All data were collected using 990-PF tax return forms available at the Foundation Center. The Foundation Center is an American non-profit that collects, organises and communicates information on US philanthropy with the purpose of advancing knowledge about the sector. Foundation Center. (n/d). About the Foundation Center. <https://fonline.foundationcenter.org/help?section=welcome&page=1-about-the-foundation-center> [accessed 30 November 2017].

62 Lumos carefully examined data and only included grants that were given to 'orphanages' and residential care facilities, which were all outside the US. The data set excluded grants given to 'child homes' in the US, which are temporary facilities for vulnerable children or medical and psychological treatment homes. The US, as many other developed countries, moved away from the traditional 'orphanage' model decades ago. However, further research in these American 'child homes' is needed. Most of the data corresponded to 2015, as only 34 PTFs had submitted their 990-PF of 2016.

63 This includes grants given by independent, family, corporate and operating foundations, and excludes the contributions from community foundations. If we add the grants given by community foundations, the total amount given to institutions exceeds US \$13 million. In the US, community foundations are not considered private because they receive funds from different sources, including the general public.

64 In January 2018 only 34 PTFs from the total dataset reported data for 2016, in comparison to 313 PTFs that reported having financed institutions in 2015.

65 To be included in the data set, foundations had to explicitly state that they were supporting an 'orphanage' as part of their programmatic activities, which limited the results significantly if PTFs did not describe their grants in detail.

66 See: Lumos. (2015). Dollars & Sense: Supporting Children Outside of Family Care: Opportunities for US Government International Assistance. op. cit.

67 This is based in the 445 projects supported between 2015–2016 by US private foundations.

68 This is based in the 445 projects supported between 2015–2016 by US private foundations.

69 The remaining 3% was for projects whose location could not be identified.

70 Internal Revenue Service. (2017). Annual Exempt Organization Information Returns. <https://www.irs.gov/charities-non-profits/annual-exempt-organization-information-returns> [accessed 18 October 2017].

71 Public charities that supported other causes besides institutions, including adoption, anti-trafficking and vulnerable families, were excluded.

72 In addition to receiving funds from grants, public charities also receive financial contributions from fundraising events, federated campaigns and membership dues. These sums account for their total contributions. In the sample of 66 public charities, Lumos identified a total of US \$119.3 million received in contributions. It is also common for public charities to have their own investments, which are added to the total contributions to get their total revenue. From this sample, public charities received over US \$121.6 million in revenue, and their total expenses exceeded US \$116.3 million.

73 The charities' total revenue exceeded US \$121.6 million, with US \$73.2 million (60%) given directly to institutions in the form of grants. Their total programme expenses accounted for US \$99 million but this includes grants, direct support to institutions and costs related to occupancy, wages, travel and payroll taxes. Their total programme expenses accounted for 81.4% of their entire revenue and 85.1% of their expenses. Other expenses classified under programme service expenditure include employee benefits, advertising and promotion, information technology, compensation to trustees and senior employees, and other costs that are linked to the programmes supported by the public charity.

74 'Orphanage business' is when institutions are established and recruit children to raise donations from foreigners. See: Lumos. (2017). Funding Haitian Orphanages at the Cost of Children's Rights. op. cit.

75 There are approximately 65 million children aged 3-15 that are most directly affected by crises and emergencies around the world, and that are at risk of education disruption, displacement, drop out, poor quality and other concerns. The total amount needed to support them is approximately US \$8 billion per year. When estimated government's contributions to education are included, the finance gap is US \$4.8 billion, or an average of US \$74 per child. At least 37 million of these children are out of school. Nicolai, S. et al. (2015). Education in emergencies and protracted crises: Toward a strengthened response. Overseas Development Institute. <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9714.pdf> [accessed 21 November 2017].

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78 Lumos found that in the Czech Republic, one year of community-based family support costs 26,100 CZK per child, the equivalent of US \$1,200. With the US \$140 million, 116,666 children could be supported. Unpublished Lumos report.

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