

Philanthropy's role in Unlocking Social Innovation: a Strategic Partner for Governments

Policy brief

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W I N G S
ELEVATING PHILANTHROPY

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Key takeaways

- Philanthropy plays a vital role in driving social innovation and tackling the impacts of the polycrisis by providing patient catalytic capital and scaling new solutions that ultimately support underserved communities.
- It has been recognised in global spaces as a key actor in national and global partnerships for achieving sustainable development, such as the 2015 Addis Ababa Action Agenda, the 2022 Effective Development Co-operation Summit final declaration, the Brazilian G20 Leaders Declaration in 2024, and the Final Communique of the 2025 Finance in Common Summit.¹
- Worldwide, approximately \$885bn was directed in 2023 to philanthropic activities by foundations and individuals. For the same year, \$70 bn in cross-border philanthropic giving was reported.
- Building in-country donor ecosystems and creating a conducive regulatory environment will accelerate unlocking more catalytic philanthropic capital from all types of private donors for ventures focused on expanding the social and solidarity economy.
- With multilateralism challenged, aid in decline, and fiscal spaces constrained, new partnerships can create synergies between philanthropy and governments to leverage growth of all types of giving and drive local resource mobilisation to reach the SDGs.

Philanthropy as a partner in rethinking resourcing for social innovation

Governments are navigating a complex and uncertain landscape - deepening polarisation, rising costs of living, critical demographic shifts, migration pressures, constrained public budgets, climate urgency, ongoing conflict and more. At the same time, the cutting of 90% of USAID and State Department foreign assistance programmes alone amounts to about \$60bn, representing a deficit of between [25-30%](#) of the world's total Official Development Assistance (ODA).² In 2023, the 17 largest OECD Development Assistance Committee (DAC) donors provided [\\$213bn](#) in ODA (making up over 95% of total ODA from all DAC donors). It is projected that ODA from these donors will fall by a total of [\\$74bn in 2025](#), driven mainly by US cuts, and to a smaller extent Germany cutting around \$9bn.³ However, Germany is estimated to emerge as the single largest donor in this group. The US cuts were the latest in an increasing worldwide trend of declining and repurposed aid budgets, further exposing vulnerabilities across different countries. Social innovation plays an even more critical role in this context and can help pilot and create community-driven and systemic solutions. They need resourcing - both financial and non-financial - that philanthropy delivers.

Global philanthropic assets amount to several trillion dollars. Global philanthropic giving (individuals and foundations) grew by approximately 10% to an [estimated \\$885bn](#) in 2023 (\$810bn in 2022) and is up from \$730bn in 2019.⁴ The [Global Philanthropy Tracker 2023](#)

reported \$70 billion in cross-border philanthropic giving.⁵ Philanthropy cannot replace governments' responsibility and roles, but it can be a partner in addressing pressing concerns high on their agendas and provide complementary catalytic/risk capital. This can support early-stage innovation, pilot and scale new approaches and de-risk solutions that can be scaled through governments. Much of the sector's contribution is more than funding, bringing local knowledge and technical expertise, filling data and evidence gaps necessary for informed policymaking, and facilitating cross-sector collaboration. Strategic partnerships with philanthropy can help governments respond more effectively to complex and evolving societal challenges. By improving the regulatory and partnership environment for deploying philanthropic funds, governments can play an essential role in unlocking more resources for social innovation.

Unlock domestic resources and philanthropic giving on the national level

The potential to grow domestic philanthropic resources and social investment is immense and largely untapped. Pre-Covid [an estimated 2.4 billion](#) people were set to join the world's middle classes by 2030.⁶ If they were to donate just 0.5% of their spending (what South Koreans give on average annually, and a third of giving in the US), that could amount to an [additional \\$319bn](#) in resources for social innovators and impact organisations annually. However, unlocking it requires a stronger 'enabling environment' for philanthropy and social innovation actors: reliable legal frameworks, simplified administrative processes and institutional capacity.

Recommendation 1: Reduce regulatory burden, simplify administrative processes, create specific legal frameworks for philanthropy, and use tax incentives for growing giving

Simplify processes and establish clear legal forms that support a wide range of social purpose entities, including foundations, philanthropic intermediaries, and social enterprises to raise and invest funds easily and effectively. In the UK, charities can register with a dedicated regulator (Charity Commission) and HM Revenue and Customs (HMRC) to get tax-exempt status and benefit from [Gift Aid](#) (tax relief on giving through which charities received [£1.6bn in 2024](#)⁷ alone). The Brazilian government created in 2019 an [endowment law](#) introducing major incentives for new endowment growth supporting civil society.⁸ Supported by evidence from Center for Philanthropy and Social Investments (CEFIS UAI) - which [highlighted regulatory barriers for philanthropy to grow](#) - the Chilean government introduced a new law on donations in 2022. In only one year over \$56m were raised, amounting to 15% of total tax-exempt donations and representing 60% of the growth between 2022 and 2023.⁹ Tax incentives for philanthropy and giving and [how they are designed matter](#) in this context.¹⁰ For example, changes to the US tax regime introduced by the 2017 Tax Cuts and Jobs Act (TCJA) caused charitable giving in 2018 to decrease by roughly \$880 per taxpayer, a [\\$20bn drop](#) of projected vs. actual.¹¹

Recommendation 2: Develop national strategies to grow philanthropy

These can cover legal and accounting frameworks, governance models, funding mechanisms, a wide spectrum of philanthropic actors, and the role of philanthropy in contributing to national and global sustainable development. Ireland released its first [National Philanthropy Policy](#) in 2023 which has deepened understanding and knowledge of the sector, created an enabling environment and accelerated engagement with philanthropy for social good in Ireland. A dedicated entity will undertake an evaluation of the policy implementation in 2027.¹² Similarly, the Presidential Agency for International Cooperation in Colombia (APC Colombia) is working on a Cooperation Strategy for Non-Profit Alliances that seeks to create enabling environments for philanthropic and solidarity organisations.

Recommendation 3: Invest in upskilling of public administrations on philanthropy and social economy topics, involving expert sector organisations and their programmes

Upskill government officials to support the effective implementation of laws and regulations, and contribute to regulatory simplification. WINGS, through its framework partnership agreement with the EU, is setting up an online capacity-building programme for government officials to help them develop an enabling environment for philanthropy. The programme will launch in 2026, with the backing of champion governments. We invite governments to join us to co-create it. This will help strengthen cross-sector collaboration and support more effective regulatory frameworks.

Leverage and increase the provision of catalytic capital for social innovation

Impact and social investment blend (to varying degrees) financial returns with positive social outcomes. This requires better regulation of the supply and demand side of catalytic capital to give donors and funders flexibility to unlock more of it. For example by: allowing philanthropies to engage in impact and mission-related investments in social economy actors using their endowments; funding social enterprises directly; or introducing specific tax incentives for social innovation which not only unlock philanthropic risk capital but allow 'every-day givers' to donate to and invest in ventures.

Recommendation 4: Introduce legal recognition for hybrid entities such as social enterprises and non-profit organisations that enable them to raise both philanthropic and investment capital

Establishing legal frameworks for social economy actors can fuel market growth, and move concepts such as 'social enterprises' from being [heterogeneous and primarily a policy one to a legal or regulatory concept](#), with the potential to be recognised across countries.^{13 14} This will allow social economy actors to raise capital investment, receive grants and donations and maintain a clear commitment to social purpose. For instance, Low-Profit Limited Liability

Company's (L3Cs) social missions in the US enable funders to maintain tax-exempt status when making investments in them. Market growth can also be incentivised. The UK had until 2023 a [Social Investment Tax Relief \(SITR\)](#)¹⁵ which encouraged investments into social enterprises and charities by offsetting the risk to investors. A total of £30.7m has been raised by social enterprises between 2014-2023 using SITR.

Recommendation 5: Allow social economy actors, including philanthropies, to use innovative financing mechanisms without losing tax-exempt status

Social economy actors, including philanthropic organisations, should be able allocate their capital without risking their tax-exempt status. It requires clear legal definitions, regulatory guidance and disclosure standards for innovative financing mechanisms and partnerships (such as impact investing and blended finance) to ensure they meet 'impact' conditions, whilst supporting both financial and social outcomes. The Global Impact Investing Network (GIIN) reports that the value of impact investments has grown to over [\\$1.57tn globally](#), reflecting a 21% annual growth since 2019.¹⁶ According to Convergence, the global network for blended finance, over 1,100 blended finance transactions have mobilised a total of [\\$213 billion](#) to date¹⁷. Having regulations that can unlock funding from organisations with tax exempt status can help grow this further.

Create more favourable conditions for cross-border giving

Cross-border philanthropic outflows coming from individuals, corporations and foundations located in 47 countries (representing 85% of global GDP) [amounted to \\$70bn](#) as reported by the Global Philanthropy Tracker.^{18 19} Yet around the world, [cross-border philanthropy in all its forms remains challenged](#) by administrative, legal and fiscal barriers, with restrictive regulations often related to over-zealous laws on illicit financial flows created to meet the Financial Action Task Force (FATF) recommendations.²⁰ Governments can create better conditions for international resources to flow to national social innovators by avoiding the introduction of burdensome foreign funding restrictions and incentivising philanthropic inflows and outflows.

Recommendation 6: Create international frameworks for recognising non-profits and offer tax incentives and mutual recognition agreements for donations to foreign entities

Under the UK's Gift Aid scheme, donations to UK-based charities are eligible for tax relief, and they can then use their resources to support cross-border charitable initiatives.²¹ The [US offers an Equivalency Determination \(ED\) process](#) allowing foreign charities to be recognised as equivalent to domestic ones for tax and regulatory purposes.²² [NGOsource](#)²³ has [facilitated \\$2bn in global giving](#)²⁴ for US grantmakers and offers a streamlined ED process.²⁵ Looking at Asia-Pacific regional examples, [Give2Asia](#)²⁶ reports that Australia, China/Hong Kong SAR, Japan, New Zealand, and South Korea have the most favourable regulatory frameworks to enable cross-border giving due to their enabling policies for both sending and receiving funds,

and their work with philanthropic ecosystem enablers to ensure effectiveness, transparency, and accountability.

Engage in partnerships with philanthropy and invest in collaboration spaces

To overcome working in silos, actors across sectors can build more joint coordination and collaboration spaces. These can foster multi-stakeholder initiatives that generate and scale social innovations into public programmes - involving private and public funders, communities, social enterprises, government, and businesses in the process. Frameworks, such as Public-Private-Philanthropic-People partnerships, are available to structure processes and utilise the complementary roles of governments and philanthropies.

Recommendation 7: Invest in multi-stakeholder partnerships and platforms, including philanthropy and government, for collective action and resource mobilisation

Governments and their public bodies, such as development banks, can invest, fund and actively create partnerships and coordination spaces that involve diverse philanthropies and social economy actors for collective action on growing funding and investment for social causes. This can include knowledge-sharing platforms on innovation, joint pooled funding mechanisms, or government-backed risk-sharing models to reduce financial uncertainty.

For example, BNDES (the Brazilian public development bank) pooled public and philanthropic capital to strengthen public health systems. The BNDES initiative '[Together for Health](#)' is managed by the Institute for the Development of Social Investment (IDIS) - a WINGS member. It expanded healthcare services to all states in the North and Northeast of Brazil covering 350+ cities and generating matching private resources of [R\\$ 100m](#) (around \$17.5m) by 2026.²⁷

Platforms can bundle public and private resources for innovative collective action tackling development issues high up on government agendas. The Kenya SDG Partnership Platform is a multi-stakeholder collaboration involving government, private sector, the UN, donors and civil society – raising [over \\$24m](#) in deposits (and over \$25m in commitments) from public and private sector partners.²⁸ The Platform includes a work strand on impact investing and the SDG Accelerator Lab driving entrepreneurship ecosystem growth to address youth unemployment.

Building philanthropy support ecosystems to drive social innovation

[Philanthropy support organisations](#) (PSOs) are entities that provide a variety of services (such as data dashboards, giving platforms, funding intermediaries, foundation networks, etc.) to strengthen philanthropy.²⁹ They play a critical role in growing philanthropy and making it more effective and transparent in forming useful, trusting partnerships with governments. Efforts to build the support ecosystem unlocks local resources by reinforcing and evolving local cultures of giving. It reduces aid dependencies, increases local resilience of communities, boosts

societal trust, and teaches individuals why philanthropy and giving are important through their engagement with it. But [WINGS' research](#) shows that 80% of expenditures on philanthropy support organisations globally is invested in North America.³⁰ By investing in domestic philanthropy support ecosystems (also in the Global South), public and private development funders can not only help “grow the pie” of local assets, but build the channels and conduits for catalytic capital to reach and deliver impact for underserved communities.

Recommendation 8: Governments should (co-)invest in the creation of infrastructure

Governments can play a role in the development of philanthropy support infrastructure. The French government created by decree in 1969 the Fondation de France (FdF). The leading philanthropy network and WINGS member was critical to growing philanthropy in France and generating funding for social innovation. FdF helped create one of the most progressive tax laws for giving globally, hosts almost 1,000 foundations as an umbrella organisation, and [allocated €238.6m in grants in 2020 alone](#).³¹

Recommendation 9: Development cooperation and aid agencies should co-invest in supporting ecosystems in the Global South to grow giving

Investing in local philanthropy support organisations will grow domestic and international philanthropic capital to fund local social innovation, supporting a self-sustainable system of resourcing. This can help reduce dependence on aid in the long term. The Aga Khan Foundation USA partnered with USAID on the [Yetu Initiative](#) in Kenya, which included increasing community philanthropy and the development of online and mobile donation platforms (enabling financial appeal campaigns raising over \$2.2m for Kenyan civil society in 2022).³² The French Development Agency (AFD) and the European Commission's Directorate-General for International Partnerships (DG INTPA) as leaders in this space are working with WINGS to build local infrastructure. Projects include sector mappings to identify gaps and areas for more efficient public and private investment, and a fund to invest in local philanthropy infrastructure.

About WINGS

[WINGS](#) is the only global network of philanthropy support and development organisations. We are a community of more than 200 thought leaders and changemakers across 58 countries who are committed to growing and strengthening philanthropy to ensure that it reaches its fullest potential as a catalyst for social progress. We are committed to ending inertia, breaking down silos, challenging conventional wisdom and creating an enabling environment for philanthropy to flourish. Our goal is to encourage collaboration and ignite potential – to rally philanthropic actors everywhere to build a more just, equitable and sustainable world.

How we define philanthropy

[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.³³

Endnotes

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<https://g20.org/wp-content/uploads/2024/11/G20-Rio-de-Janeiro-Leaders-Declaration-EN.pdf> ;
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13. https://www.icnl.org/wp-content/uploads/legal_mapping_publication_051015_web.pdf
14. Multiple countries have introduced Social Stock Exchanges, which facilitate the listing and trading of securities for social enterprises and non-profit organisations, connecting them with

investors seeking to raise capital while making a positive social impact. Hybrid entities can also make use of these types of exchanges increasing market efficiencies as philanthropic funders can easily access listed social investment opportunities. For example Singapore's Impact Investment Exchange are 'pioneers in impact investing and global leaders in sustainability, transforming the financial system to empower women, the environment, and underserved communities in the global market. <https://iixglobal.com/>

15. <https://www.gov.uk/guidance/venture-capital-schemes-apply-to-use-social-investment-tax-relief>
16. <https://thegiin.org/>
17. <https://www.convergence.finance/resource/state-of-blended-finance-2024/view>
18. <https://globalindices.indianapolis.iu.edu/tracker/index.html>
19. Remittances are the largest source of external finance flows to low-and middle-income outpacing ODA and foreign direct investment combined, reaching an estimated \$685bn in 2024 (up by 5.8% from \$647bn in 2023). Cross-border philanthropy can be bolstered by working with diaspora communities providing philanthropic giving to home countries, especially during crises. For example, the diaspora foundation Caring for Colombia has mobilised over \$5m in giving to charities and projects in Colombia, directly impacting 200,000 Colombians. <https://blogs.worldbank.org/en/peoplemove/in-2024--remittance-flows-to-low--and-middle-income-countries-ar> ; <https://www.caringforcolombia.org/>
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