The global development sector has a severe case of whiplash. After decades of progress in global health and poverty reduction, official development assistance has been slashed. There are crises in the provision of health goods and services exacerbated by the sudden termination of many bilateral aid programs. Climate change threatens vulnerable communities around the world, and poverty reduction has stalled.

Against this backdrop, a third wave of philanthropy is expected to add tens of billions, or even a hundred billion dollars, of new philanthropic capital per year. What should they do with this money?

This wave of donors comes primarily from new AI wealth, with many donors strongly focused on impact, cost-effectiveness, and rigorous evidence. Coefficient Giving notes a common worry in their recent blog post:

> "The expected surge of funding has led to concern in some quarters that there is nowhere for this money to go — and that donors who care about effective giving will have trouble finding good places to donate. There are a couple aspects to this worry: that institutions don't yet exist at sufficient scale to spend this money; and that, even if they did, there just aren't enough cost-effective ways to do so."

GiveWell, which is expected to be one option for the third wave, raised $600 million in 2025. By some estimates there may be $100 billion per year of additional philanthropic capital coming.[1] As both Rachel Glennerster and Leah Rosenzweig, and Coefficient Giving note in their blogs, there are many cost-effective ways to spend this much money. But most organizations simply cannot rapidly scale up to absorb a billion dollars.

In this blog, we argue that there is plenty of capacity to allocate these funds and spend them well. But the delivery model for the $100 billion cannot simply be the delivery model for the last $100 million repeated a thousand times. The new philanthropists and their partners should – and indeed must – work with the existing international institutions and with country governments if they want to work effectively at scale.

Absorptive Capacity

We agree with Coefficient Giving that donors need not "worry that the social returns on new funding will fall off a cliff", there are plenty of ways to spend money before we hit steeply diminishing returns. But maintaining cost-effectiveness requires more than identifying good programs: it requires identifying the institutions capable of delivering them at scale.

NGOs can play an important role in developing and piloting new programs and some have reached impressive scale, but ultimately only governments and the private sector can reach the required scale. The Indian government's social protection budget alone is about 20x the Gates Foundation's total budget.[2] If philanthropists want to contribute very large sums of money to direct transfers and major global health challenges, governments and multilateral development banks (MDBs) can absorb that funding.

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[1] At 2026 spending levels.
[2] At current exchange rates; assuming spending of ₹25.7 lakh crore in FY2025.

Working with governments also has the potential to make programs more durable and more scalable. When delivery depends on private supply chains and individual grants, an intervention can become difficult to sustain over time. Connecting effective programs to existing national systems can be more durable if the intervention becomes part of how government services are routinely delivered. The underlying capacity building will persist long after the intervention.

Working with governments also has the potential to make programs more cost-effective. When using existing systems, clinics, schools, front-line staff, and social protection systems are already in place. Setting up parallel delivery capacity is neither efficient nor cost-effective; relying on the same systems repeatedly is. Delivering programs at scale can lower average costs. For instance, the larger a humanitarian cash transfer program, the more cost effective it tended to be (as fixed costs could be spread across more recipients). And at a $100B scale, this can make a big difference in total cost effectiveness.

Furthermore, delivery through existing capacity supports roll-out of programs that address different constraints. Economic inclusion provides a good example. Programs increasingly combine cash or productive grants with coaching, skills, savings facilitation and access to markets, rather than treating each as a stand-alone intervention – and these combination programs work better than if they had focused on a single constraint. Bundling is difficult if every component operates alone, but much more doable if programs are delivered using existing systems.

New donors need not choose between funding highly effective programs and reaching scale. Instead, we need to do both: continue funding NGOs and researchers to develop and pilot innovative programs, and finance governments through multilateral development banks (MDBs) and other international bodies like Gavi, to bring cost-effective programs to people at a very large scale.

Infrastructure for scaling innovations

The problem the new philanthropists must solve is not just about the choice of programs, but how different institutions can work together to deliver good programming at scale. Coefficient Giving sees part of the opportunity in exactly this kind of infrastructure-building:

> “But part of the promise of the third wave is the opportunity to build infrastructure that can solve problems that aren’t easy for donors to address [directly].”

Multilateral development banks have long played a role in solving just this problem. Governments face a challenge in adopting new policies or programs. Developing a new policy, refining it, checking that it works, and integrating it into government systems takes a lot of effort. It’s also risky - any new approach might not work. It might be hard for an official to make the case for spending scarce time and budget on this.

However, it’s also a global public good. Once one government has done this work, it’s easier for others to modify and adapt it for their setting. The global benefits of this kind of policy innovation are therefore far larger than the benefits to any individual country. MDBs can support governments to develop, test, and scale new policies. Often NGOs or researchers first pilot programs at smaller scale, and MDBs are able to

work with governments to integrate them into delivery systems, and then to help share knowledge and experience across countries, so other governments can adapt and scale programs.

One of us (Michael) wrote about this back in 2016 in an article with Michael Clemens. We argued that the [World] Bank's greatest impact comes from its ability to support governments to adopt new policies.

This often begins with a multilateral directly providing financing for a program. By 2009, the World Bank provided loans for conditional cash transfer programs in 13 countries. It continues to finance new programs to this day. This is the case in Egypt, where the World Bank has funded both the Takaful and Karama programs. As of June 2025, these programs cover about 4 million households.

As programs mature, the costs often shift off the World Bank balance sheet onto the country government's. The Philippines' Pantawid Pamilyang Pilipino Program (4Ps) is a good example of this. In 2007, the World Bank worked with the Philippine government to design the program and financed part of it. A randomized evaluation found that the program increased school enrollment and reduced severe stunting. By 2019, the Bank covered less than one-tenth of the total cost and Congress made the program into law. It now reaches around three million households.

Conditional cash transfers are not the only example of this shift. We point to several other areas where the Bank supported policy changes, including a shift in health spending from district hospitals to local health clinics and reforms to create the enabling conditions for economic growth. We concluded that this makes the Bank "a bargain for those who value its mission of reducing
extreme poverty".

The present opportunities for policy innovation and scaling are incredible. Approaches including transfers and training (sometimes called "graduation programs") could increase cost-effectiveness in many settings. They are already being scaled up by some governments, with a lot of room for further scale and refinement. AI creates the potential to radically improve education, health, and agricultural services, as well as improving productivity to create more and better jobs in the private sector. But fully realizing these benefits will require deliberate efforts to develop, test, and scale innovative policies.

Since the World Bank and other MDBs work across a variety of countries and contexts, they have more scope to experiment and determine the scope conditions for policies that work. Each individual actor can only experiment so much; the lack of scale also limits scope for innovation.

Pakistan's social protection system is an example of such. During COVID-19, it took around two months to identify and reach low-income households with emergency support. Investments in digital delivery and improvements to the system – done with World Bank support – subsequently helped reduce the response time to around 10 days during the 2022 floods. The value of scale was not simply that the system reached more people; working with experts at the Bank helped create the knowledge and infrastructure to make subsequent delivery faster and more effective.

Funding Successful Partnerships

There is more proof such collaborations can work. Gavi-supported countries have vaccinated more than 1.3 billion children through routine programs since 2000 and averted more than 23 million future deaths. 56 vaccine programs originally introduced by Gavi are now funded by the countries themselves. This is multilateralism at its best: providing support to countries pursuing long-lasting improvements to their health systems.

The World Bank hosts similar partnerships, such as the Global Financing Facility for Women, Children and Adolescents (GFF). Hosted by the World Bank, the facility has $2.5 billion in grant financing. It deploys this funding to countries which invest their World Bank financing or domestic resources in maternal, child and adolescent health. It also supports technical assistance to strengthen these projects. By combining philanthropic, multilateral, and domestic funding, it hopes to achieve more than any of these could achieve alone. The GFF has combined its grant financing with $21.4 billion in domestic resources, $17.8 billion in partner resources, and $12.5 billion in World Bank Group financing.

GiveWell's planned malaria expansion, which includes the Malaria Impact Accelerator with the Global Fund, is another example of a multilateral-philanthropic partnership. This approach seeks to combine country-led malaria programs and established delivery infrastructure with explicit cost-effectiveness criteria and independent monitoring. (The success of this project has yet to be seen, but that is why the experiment is useful.)

The World Bank Group's recently launched Philanthropy Hub (which has Coefficient Giving as one of its knowledge partners) seeks to expand these partnerships into many other areas beyond health. Development needs in education, skilling, digital transformation and AI adoption could also benefit from combining philanthropy's focus on cost-effectiveness and willingness to experiment, with MDB financing, country relationships, and delivery capacity to bring successful interventions to scale.

Certainly, this type of collaboration will not be the right vehicle for every philanthropic dollar. But it provides a possible model that plays to each actor's strengths. Each government wants effective policies but has limited incentives to experiment and a large downside risk if the policies fail. This makes experimentation both politically and fiscally difficult. Philanthropy and MDBs can help defray these costs and support countries in adapting policies to their own unique circumstances. Governments can then judge for themselves whether to implement a particular change.

Governments, multilateral institutions, NGOs, and philanthropies can work together to spend this money effectively, allowing cost-effective programs to scale to reach most of the world's poorest people.