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*"Gender Issues in Economic Crisis, Recovery and Beyond: Women as Agents
of Transformation"*

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**ACHIEVING GENDER EQUITABLE RECOVERY AND GROWTH: BRIDGING THE
FINANCING GAP THROUGH GLOBAL PHILANTHROPY CAPITAL**
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Introduction

The global economic slowdown following the financial crisis of September 2008 is both a threat and an opportunity for developing countries.

The threat is obvious. Slower growth that makes it harder for developing countries to work their way out of poverty is just part of the problem – the long term impact is likely to come from the pressure on aid budgets of rich countries, as they try to tackle their own fiscal problems. Before the crisis some donors were already failing to live up to the commitments for more aid made at the G8 summit at Gleneagles in 2005.

Now, even governments that championed the aid cause are going to be under enormous pressure to at best postpone planned increases in official development assistance. Aid critics like Dambisa Moyo and Bill Easterly are also becoming increasingly vocal and there is widespread public scepticism about whether aid actually can deliver.

Yet there is also an opportunity to refocus the development financing system by moving away from a discussion about the billions of dollars spent to a conversation about millions of lives saved. New, vigorous donors like the Gates Foundation have already shifted the debate about diseases like malaria and injected a new optimism that at least some of the Millennium Development Goals can be achieved or even exceeded. In part this is about moving to outcome-based aid models. New forms of private development financing that break away from the traditional, official aid model based on grants and concessional loans, and look to lever the private capital markets for development, also offer extraordinary potential for women.

The challenge is how private and public actors can work together to take these new ideas to the scale necessary to meet the challenge of the Millennium Development Goals with women recognised as key to most MDGs. This paper sets out key trends in Philanthrocapitalism and proposes three ways in which participants at the Ninth Commonwealth Women's Affairs Ministers Meeting (9WAMM) can harness this potential to position women as agents of transformation in the recovery from the current economic crisis.

The Challenge

For much of the 20th century the dominant paradigm has been for the private sector to create monetary wealth and the government to deal with the social and environmental fallout of capitalist economies through regulation and redistribution (aided to different degrees by charities). That model is failing women most of all. Following the financial, then global economic crisis, even in the richest countries governments are struggling to deliver on such basic services as education and healthcare for their indigenous populations. Public services are expected to continue to be hit in many OECD countries for years to come by the fiscal hangover of the current economic crisis, compounding the chronic deterioration of government budgets as the world's population ages and dependency ratios grow. Developing countries are already feeling the chill wind of fiscal retrenchment by donor countries as aid, which has always been volatile, has stagnated and may fall.

If we are to achieve the MDGs including on the Gender Equality which is furthest from fulfilment of all 8, private citizens, non-governmental organizations, and the private sector will have to carry more of the future burden in tackling social and environmental problems in the 21st century. The countries that succeed in meeting the needs of their populations will be those that can build partnerships between government, the private sector and philanthropy to innovate to produce new solutions, test the effectiveness of those solutions, and, if proven, take those solutions to scale.

Creating those partnerships will mean new ways of doing business. For developing countries this will mean a shift away from the planning model of aid to a more fluid 'capital market for development. Development financing will also become more complex as the government-to-government aid model based on grants and concessional loans evolves into this development capital market of many players and many different products. The centre of gravity of development will shift away from negotiations with multilateral and official aid agencies. As a result, developing country governments will have to manage a wider network of relationships with public and private actors and the global development system will become more diffuse. A key challenge for the Commonwealth will be to help manage this more complex system.

This is an opportunity. Government-led aid often struggles to be innovative and take risks. Politicians have to be re-elected every few years, which makes them wary of anything that costs money but could fail, or only pays out when it benefits their successors. Government can also be extremely ineffective, especially when compared with the for-profit capital markets, in shifting funds from existing uses to new uses with a higher value. Political processes tend to give a stronger voice to those who benefit from how government funds are currently spent than to those who might benefit one day from a risky new idea. The three-year maximum time horizon of most public expenditure also means that government often prefers shorter-term funding rather than long-term capitalization of new initiatives.

By contrast, private for-profit capital has proved extremely effective at taking innovative ideas to scale; in allocating capital to promising ideas, testing them quickly, sorting out the good from the bad; and in shifting capital from where it is underused to where it can be better used. If a capital market for development can emulate this success, by under-writing or capitalising risk to support long-term social transformation, there is a potential not only to lever new financing for development but also to make that money work harder.

This new capital for development will come from four sources:

- a) Philanthropy: large-scale giving for development from donors like Bill Gates and mass giving through platforms like Kiva.org has surged in the last decade and has remained remarkably resilient despite the economic crisis. New giving from among the wealthy in emerging markets and organised diaspora

philanthropy are also starting to flourish. This capital is ideally placed to take risks and test innovations, playing a venture capital role.

- b) Social investment¹: a range of actors is currently experimenting with using capital to generate financial returns as well as social and environmental impacts. This movement includes philanthropists who see it as way to make their money go further than simply making grants and ethical investors (including socially responsible financial institutions) which are willing to sacrifice some financial return in exchange for benefits to society. While social investing is never likely to be more than a few percent of global capital markets, given the size of this pool of capital by some estimates this industry could be worth \$500 billion in the next 5-10 years.
- c) For-profit investment: high social impact does not necessarily come at the cost of lower financial returns. If 'bottom of the pyramid' investments can generate strong financial returns then commercial capital will support these projects. Opportunities here include the obvious example of microfinance but also system changing funding for provision of services like healthcare and education. If users of these services are already paying fees (by some estimates 50% of healthcare expenditures in Africa are private), commercial investors can find ways to meet this demand by putting in place the up-front investments that governments cannot afford to meet this need more efficiently.
- d) Corporate responsibility: multinational corporations are becoming increasingly aware of their need to pay more attention to their environmental and social impacts, largely as a result of pressure from their consumers. Leaders in corporate responsibility are therefore starting to think beyond public relations-driven corporate philanthropy to making social responsibility an integral part of their supply and distribution chains.

Partnership is the key to maximising the potential of these new sources of capital. By 'blending' grant funding that can cover the up-front-costs of a new investment with social investment that is willing to trade off some risk-adjusted financial returns in exchange for social or environmental impact, together with for-profit investment, it will be possible to lever significant new sums to finance development. This will require new investment vehicles to finance for-profit and social enterprises that can deliver these blended returns.

The shift from government-led to partnership-based development is already starting to happen. The Global Fund for AIDS, TB and Malaria has created a governance structure where private donors have a seat on the board and a formal say in discussions. Multilateral organisations, like the United Nations, and bilateral aid agencies, like USAID, have created 'partnership offices' to facilitate joint working with private actors (the United Nations Office for Partnerships was the first of these, created to manage media tycoon Ted Turner's surprise 1997 pledge of \$1 billion to

¹ This is also known as 'Impact Investing'.

UN causes). Unofficial convenors, like the Clinton Global Initiative, are bringing together developing country governments, official donors and private actors to work and plan together. New financing mechanisms, like the Advance Market Commitments programme and International Finance Facility for Immunisation have started to lever capital markets for development. Microfinance, which has been tested and proven with aid money but has not reached scale due to limitations on the amount of grant funding, is now evolving into a mainstream financial product for commercial investors.

The Commonwealth can play an important catalytic role in developing these new sources of financing: many Commonwealth Governments are already working mostly in reactive and in ad hoc way with these new investors; the Secretariat is already playing a leadership role in this area through initiatives like the Commonwealth Private Investment Initiative (CPII). The challenge is to seize the opportunity to take this work to the next level. The new, complex ecosystem of development financing needs advocates, brokers and catalytic convenors – the ABC role that is the DNA of the Commonwealth Secretariat.

The Commonwealth ABC Opportunity

There are three areas of opportunity – new principles, new models for development financing, and global thought leadership – where the Commonwealth can take concrete actions.

Advocating for shared principles

There is never going to be enough philanthropic capital to tackle global poverty alone but philanthropy can add value by taking risks to pilot innovations that, if taken to scale, could make a difference in the way we build gender equality by supporting entrepreneurs, educating our children and running our healthcare systems. Philanthropy can serve as a form of ‘social risk capital’ that can find new tools and new solutions, supporting the new generation of social entrepreneurs.

A recent report by the International Centre for Research on Women (ICRW) highlighted the role that innovation has played in empowering women and promoting gender equality. The study highlighted innovations directly targeted to benefit women – like the birth-control pill – and those that did not but still had a massive impact on women’s lives - like the motor scooter – to show that a good idea alone is not enough in itself. For those solutions to reach scale, government has a crucial role in creating a supportive enabling environment and, in some cases, taking the innovation to scale with public funds.

The ICRW identified foot-pedalled water pumps, the “microfranchising” of heating and lighting provision in rural areas not served by the electric grid and the “crowdsourcing” of work to local communities as potential high-impact innovations for the future. To help these and other innovations to scale, governments should explicitly seek partnerships with social entrepreneurs to test ideas as part of the public expenditure planning process. Michael Bloomberg, the billionaire mayor of New York City, has already started to do this, using philanthropic capital to support

pilot projects that are too risky or controversial to get through the politics of the City's budget process – like funding a leadership academy for schools principals - which, if proven, can be brought onto the public budget.

By absorbing the risk of innovation, philanthropic capital can help governments to understand better what does and does not work. It could help Commonwealth Government Ministers to advocate for more effective investments of public money in tackling gender equality, which is too often erroneously seen as low return and high risk, by providing robust, objective evidence that this is one of the best investments that government can make. In this way, public private partnership can help government to spend its money more effectively in support of gender equity.

Building these partnerships will require an investment of time from government. This will be a challenge for governments that are already over-stretched managing relationships with official aid donors. The Commonwealth Secretariat could help to mitigate this risk and increase member countries' learning through knowledge-dissemination on innovation and the sharing of best practice on effective models of partnership. The Commonwealth is in an ideal position to advocate for the ideal constellation of principles and modalities which benefit countries in terms of development impact and investment, while impact investors and philanthropists can sign up to agreed terms for double and triple bottom line investments in developing countries.

Brokering new models for blended investment in development

Public funding is just one route for taking innovations to scale. Social investors and commercial investors have the potential to be an increasingly important source of financing. Governments can help this process by ensuring that financial and other regulation to help microfinance institutions, for example, make the transition to attracting commercial investment. Creating legal frameworks within which private companies will be motivated to invest in healthcare delivery and education services will also help to attract new financing.

Public funding, from aid agencies or developing country governments, can also be tailored in such a way as to catalyse social and commercial investors. This could be through capacity-building of local institutions to make them investable, or by using public funds to subsidise investments to enhance risk-adjusted returns for private investors. Obviously public funds used in this way have an opportunity cost in terms of their alternative use as direct investments in public services. The Commonwealth Secretariat could potentially support this process by developing models of best practice to ensure that public funds co-invested with the private sector have genuinely catalytic impact. A Commonwealth Equity Fund could also be a vehicle to manage these blended investments.

There are also particular opportunities to influence the emerging social investment sector, which is currently grappling with how to measure and account for social and environmental impacts. For example, the Global Impact Investing Network (GIIN) was founded in September 2009 to bring together the major banks and foundations that were already working in the area of social investing to create a

common accounting framework for social investments. This is a huge opportunity that plays to the strengths of the Commonwealth.

Commonwealth Governments should be working to ensure that the new frameworks for social investment include issues such as gender equity which is currently not included, to ensure that this new source of capital flows to priority areas for development and creates real social transformation. Dialogue with the GIIN group, is just one channel.

The Commonwealth might also consider whether official development finance institutions such as the CDC, IFC, and regional development banks should be mandated to participate in GIIN and other social investing networks. The Commonwealth also has an opportunity to shape the benchmarking of corporate social responsibility, by influencing new thinking about supply chains, procurement, resource management etc., to take into account development priorities such as gender equity. These are all areas where the Commonwealth Secretariat has expertise and should be mandated to take a lead to leverage the influence of the membership.

Global thought leadership

“In the 19th century, the central moral challenge was slavery...In this century, the paramount moral challenge will be the struggle for gender equality in the developing world”, argued the 2009 bestseller *Half the Sky*, co-authored by award-winning journalist Nick Kristof. As the global debate about development has widened and deepened by the entry of new private actors, including celebrity activists from the rock singer Bono to President Bill Clinton, so a global opinion leader like Kristof has an ability to put gender equity on the agenda.

Meetings of the United Nations, the World Bank, the G8 and, increasingly, the G20 will continue to be the major decision-making forums for official development assistance. However, events like the World Economic Forum in Davos, the TED conference, and the annual Clinton Global Initiative meeting² are emerging as key thought-leadership and partnership-building events. In the last year, gender equity has been given real prominence not only through the thought leadership of Kristof but also the multinational Nike's 'Girl effect' campaign that was launched at Davos in 2009 and the choice of investing in women and girls was one of the priority themes at the annual meeting of the Clinton Global Initiative in September 2009.

² The World Economic Forum was founded 38 years ago. It's annual meeting in the Swiss ski resort of Davos is probably the pre-eminent meeting of business leaders and governments. In recent years, the Forum has widened participation to include social entrepreneurs and the agenda has been increasingly focused on developmental and environmental issues. TED (Technology, Enterprise, Design) was started in 1984 to share new ideas. Initially focused on the IT business, its annual meeting in Long Beach California has emerged in recent years as the world's leading ideas festival, based on short, high-impact lectures ('TED talks') by global thought leaders from a wide array of disciplines. The Clinton Global Initiative, also known as the 'philanthropy Oscars', has been held annually in New York since 2005 to celebrate and encourage global philanthropy. Convened by President Bill Clinton, participants from business, philanthropy and government have so far 'commitments' of time and money valued at \$57 billion to tackling global problems.

Strategic relationships formed with these people and institutions would become great allies for Commonwealth Governments to get their concerns and priorities for the appropriate governance of the emerging development capital market up the global development agenda. If Clinton or Nike or Kristof talk about these issues at Davos, CGI etc., it has a huge impact beyond what Commonwealth Ministers can achieve alone. To take advantage of these opportunities Ministers need to be out there meeting these new players and creating partnerships and these are forums where the Commonwealth Secretariat could play a crucial 'ABC' role. The first leaders in breaking out of the traditional government-to-government aid models will have most to gain from doing so.

What's in it for Women?

It is by now well known that the international aid system is letting women down. We learned recently that an end to deaths from malaria, which currently kills a million people a year, could be achieved within the next five years. That is laudable. But compare that to the fact that almost one in every hundred births in sub-Saharan Africa leads to the death of the mother, a number that is unlikely to fall by 2015. That is a disgrace.

Yet the impending victory over malaria also points to an opportunity for women: a triumph of partnership between governments and a new generation of wealthy donors, social entrepreneurs, do-gooding businesses and social investors, led by Bill Gates. If the money and skills of these 'philanthrocapitalists' can be harnessed to take on the challenges that women face, this may be just the development lever the world has been waiting for.

Back in 2000, the nations of the world pledged to halve world poverty by 2015, measured against eight Millennium Development Goals (MDGs) related to income, health, education and gender equality. Across the board women are falling behind against these MDGs, not just through the risk of death in childbirth but also in education: nearly 100 countries are expected to miss the target of giving girls the same chance to go to school as boys by 2015.

Without gender equality, none of the MDGs can be fully realised. An investment directly in women is an investment in the welfare of future generations; by investing in girls' education we reduce early marriage, early pregnancy, maternal and child mortality, leaving us with slower population growth and smaller family sizes with more healthy members.

What gains there have been for women since 2000 have been achieved on the back of steady increases in official aid to the developing world. With the rich donor countries heading for the biggest fiscal crunch in living memory, the danger is that even this generosity is going to run out, since there are precious few votes in saving lives on the other side of the world. And it's not just about the money – ideas are needed as much as new donors if women are not going to continue to be left behind at 2015 and even further in an uncertain future.

If we are going to turn this situation around, the lessons from the success of the anti-malaria campaign are clear. Private citizens, non-governmental organisations, and the private sector will have to carry more of the financing burden. The biggest funder of malaria research is not a government but Bill Gates, a private citizen. He has also picked up a large share of the surge of funding for anti-malaria campaigns (back in 2000 the world spent just \$60 million fighting malaria; today it is nearly \$2 billion). Gates has also inspired a 'grand coalition' to be part of the campaign, from celebrities like footballer David Beckham, to private equity guru Ray Chambers, who is now the UN Special Envoy for malaria, to global companies like NewsCorp, which is a big backer of the 'Malaria No More' campaign that is looking to become the message of the World Cup in South Africa.

It is time to throw out the conventional wisdom that the only way to do development is to pump more government money into the system. Critics like Bill Easterly and Dambisa Moyo overstate the case when they say that aid is doomed to fail but they are right to show that a step change is needed.

A similarly grand coalition of governments, philanthropists and corporations that made it possible for the world to witness a foreseeable end to deaths from malaria is now needed to secure a foreseeable end to the grotesque inequity that means women have to bear most of the burden of poverty, disease and violence in the world. Of all human kind, women have the most to benefit from the Commonwealth taking a stand in ensuring that the potential capital market for development is not gender-blind but that the principles and modalities all sides coalesce around for meeting the human goals of the planet has a female face.