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HARNESSING PHILANTHROPIC CAPITAL FOR DEVELOPMENT

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Introduction

This paper will look at the philanthropic drivers behind an emerging capital market for development which can be leveraged to complement various forms of private finance and multi-lateral funds into developing economies to fund innovative solutions to global challenges and to bring them to scale.

2. This paper will, therefore, assess the scope for taking advantage of the opportunities in this complex and evolving arena. It will also explore a possible role for the Commonwealth to develop progressive principles and operational modalities that both impact investors and developing countries agree would create social transformation and development. This would serve to enlarge the capital market for development based on blended investment practices among governments, philanthropists and mainstream private investors.

3. This paper sets out the current economic situation in the Commonwealth, the growth of philanthropy across the globe and how philanthropic models are now changing to incorporate some elements of 'for profit' investing. This sets the scene for laying out the opportunity that developing countries can harness to mobilize additional resources for development.

Background

4. In the short term, the recession has triggered a major adjustment for rich and poor nations alike. Around the world, rising social needs are coinciding with tightening private and public resources. In the post financial crisis world, it is inevitable that there is good reason to worry about how some of the world's most vulnerable groups will be affected by the flow of aid and investment to their countries. Developing countries have already been severely hit by the 2008 economic crisis and this is before donor countries embarked on the cost-cutting rationalization of their public spending. Though private capital flows and diaspora remittances to these economies have been recovering in 2010, they will not compensate for the increase in the external financing gap of poor countries, resulting from the effects of the crisis. Furthermore, their own resources do not allow them to adopt the stimulus and recovery packages rich countries are putting in place. Recent data indicate that these countries will have to compress domestic absorption this year, even after painful adjustment last year.

5. To meet these critical financial needs, calls have been issued to increase development aid immediately lest development gains be stalled, or in worst case scenarios, be reversed. Birdsall (2009) estimates \$1 trillion must be unlocked to help developing countries cope with the crisis.

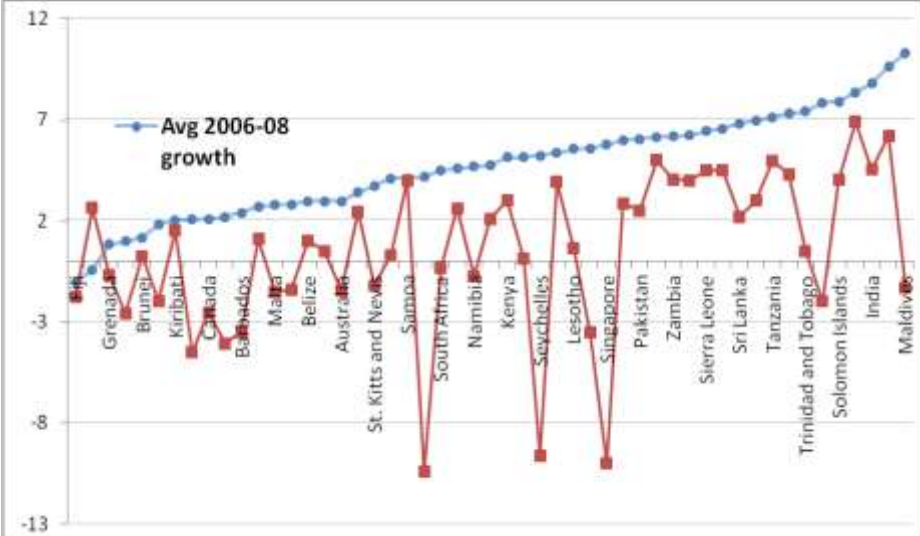
6. The outbreak of the global financial crisis in 2008 brought an end to an unprecedented cycle of growth in foreign direct investment (FDI), which had reached a historic high of US\$1.9 trillion in 2007. According to a United Nations Conference on Trade and Development (UNCTAD) report released in April 2009, global FDI declined

by an estimated 15 per cent in 2008. In Commonwealth countries, FDI inflows declined by 30 per cent over the same period. While there has been an upturn in these flows, since the end of 2009, they remain well below the peak reached in 2007.

7. Recent growth in domestic private sector credit has also slowed in many countries as a result of the financial crisis and ensuing recession. Although domestic banks in developing countries have not been directly affected by the crisis, increased risk aversion, reduced access to external credit lines and in some cases increasing non-performing loans have all contributed to the reduced rates of growth in private sector credit. The combined effects of less FDI and tighter domestic credit markets have serious implications for the most vulnerable in society.

8. The implications of these adverse growth prospects on vulnerable groups of Commonwealth citizens, such as women, children and youth, is grave and calls for urgent action.

Figure 1: Growth Prospects in Individual Commonwealth countries



Note and Source: Average GDP growth figures are from the World Bank World Development Indicators. The projected growth rates for 2009 are from IMF.

9. In the Commonwealth's smaller, poorer and more vulnerable developing countries, the crisis has reduced - - growth, triggering declining fiscal revenues, along with increased demands for social services provision and the maintenance of social safety nets as levels of unemployment substantially increased. The implications are particularly adverse for the 32 out of 53 member states (60 per cent) which are small and vulnerable, as these members rely to a proportionately larger extent than others on international trade as one of their major sources of revenue.

10. Governments are being confronted with major setbacks from the crisis. The figures on overseas development assistance (ODA) in 2009 published by the OECD have shown ODA to have stagnated. At Gleneagles in 2005 an upward trajectory on an aid target was set. However, most donors are having difficulty in meeting this. Besides

Aid being flat the most recent 'ONE campaign' report has highlights how not enough overall progress has been made on aid effectiveness.¹

11. These developments do not auger well as developing countries express their continuing frustration that most donors are failing to live up to their commitments, The OECD's development assistance committee and the Paris and ACCRA agendas have suggested that aid needs to be better harmonized and aligned. There is now recognition from the aid community itself that it needs to do better.

12. A reading of the current global economic situation shows there are concerns about the quantity and quality of aid. This has all been further exacerbated by the financial crisis. There are strong grounds for a financing model for development that levers new forms of available capital is more pertinent than ever.

Philanthrocapitalism

13. Philanthropy is usually considered a form of humanitarianism, not a technique of international development--much less a driver of economic growth. Traditional philanthropists look for babies to feed, children to educate, and wounds to heal. By definition, their investments are not for profit. Accordingly, philanthropists and established foundations have historically avoided funding local for-profit companies or improving the investment climate in developing countries. Increasingly, however, private philanthropists are on the cutting edge of development practice as a new class of "entrepreneurial philanthropists", "venture philanthropists" and "philanthrocapitalists" is redefining what counts as philanthropy.

14. Philanthrocapitalism takes concepts and techniques from venture capital and business and applies them to philanthropic goals. It has witnessed tremendous growth as an industry due to the creation of new wealth, the availability of new tools and services, the increasing culture of entrepreneurship and the new environment of generosity.

15. Impact investing (see Appendix A for investment terms) has been growing for some time now. Broadly defined the current impact investing industry supports for-profit investment in funds and businesses that produce social or environmental benefits. The sector now has more than \$50 billion (GBP 33 billion, EUR 37 billion) in assets, but an industry estimate sees potential for that volume to grow to \$500 billion within the next decade.²

16. Entrepreneurial philanthropists and impact investors provide credit and business education to small-scale entrepreneurs, mentor and finance small- and medium-sized enterprises (SMEs), offer strategic advice to governments that want to improve the competitiveness of their exports and investment climates, and devise innovative ways to demonstrate "return on investment" in traditional philanthropic projects. They are

¹ The ONE Report 2009, Monitoring the G8 Promise to African Nations, pg 25

² Tom Stabile, Financial Times, 4/12/2010

venture philanthropists because they tend to believe that investment for profitability and accountability is the best form of sustainable development and the best strategy for poverty reduction; and they are philanthrocapitalists because they are private actors who do not themselves always seek to make money from their investments. Moreover, in terms of effectiveness, their performance has the potential to outflank often underfunded development agencies and international NGOs by demonstrating that enterprise-based solutions to poverty are possible, scalable, and sustainable.

17. The growth of philanthropy has led to the inevitable explosion of high profile givers. Whether it is philanthropists in the mold of Gates or online giving platforms like Kiva – philanthropy has never seen a more vibrant community than today. Bloomberg has shown how philanthropists are testing innovation and using risk capital to fund schemes that government cannot. There are also many domestic donors booming in emerging economies, with India in the early stages of spawning home-grown philanthropists. Indian business leaders such as Azim Premji, Nandan Nilekani and Mukesh Ambani are using their personal wealth to fund philanthropic foundations (see Appendix B). This type of giving often does a lot of the innovating and risk-taking governments and public bodies cannot – finding pioneering solutions that help achieve maximum impact. Appendix C,D and E further provides an overview of the major foundations and philanthropists operating today.

18. As the rise of Philanthropy demonstrates, a lack of money no longer has to be the major hindrance to solving many of the world's most vexing social problems. Rather, there's a paucity of creative ideas. However, philanthropy is not just about giving money away. There is a new departure within philanthropy that shows a shift in the mindset behind traditional giving. The grant system we have traditionally seen (where money is simply given away) creates disincentives to scale or collaborate. A noticeable trend in philanthropy has been the rise of using the tools of capitalism, including profit seeking returns and corporate social responsibility (CSR) to do good.

19. This approach can be termed as **blended value** investing and sits between the nonprofit and for profit sectors. Investors who seek both financial and social returns are known as blended value investors.

20. Between traditional thinking that views investment and philanthropy at opposite poles, a large “grey area” of blended investments has emerged that offers both development/social and economic/financial return. This is now part of the spectrum of options for development financing.

21. Even the social impact sector suffers from a lack of cohesion and strategic direction. Blended value investments from within this emerging capital market for development currently come from at least three fairly distinct places:

- **Social investing:** this is being utilised by a number of players in the private philanthropy space and some socially responsible financial institutions. Unlike traditional investment, social investment create demonstrable social impact as

well as financial returns for investors. Social investing, which is also called 'impact investing', is forecast by the Rockefeller Foundation to be a USD 500 billion industry over the next ten years.³ Social investing also takes advantage of its access to huge subsidies, both public and private. It is the only large scale capital market where the participants will happily take a sub-market return. A good example of this is the Acumen Fund. The non-profit global venture fund uses entrepreneurial approaches to address problems of global poverty. It seeks to prove that small amounts of philanthropic capital, combined with large doses of business acumen, can build thriving enterprises that serve vast numbers of the poor. The Acumen Fund is not about just giving money away - by setting up social businesses the money is used many times over –a revolving fund – stretching the philanthropic dollars further than traditional grant-making.

- **For-profit investing:** these are fully commercial capital pools and social impact does not necessarily come at the expense of financial returns. Microfinance and the provision of public services are the areas where this is chiefly deployed. A joint capital pool is usually sought where investment arrangements combine investors and philanthropists into consortia, taking into account their different risk tolerance, return objectives and expertise sets.⁴ Examples include the Omidyar Network (see Appendix D) which is focused on a market-based approach that focuses on the bottom of the pyramid, targeting economic opportunity and leveraging the Network's expertise in internet technologies. SKS, the Indian microfinance institution, which recently raised \$21 million in non-convertible debt instruments from an insurance company and mutual fund, highlights the 'coming of age' of the microfinance asset class. Beyond microfinance we have seen the Eye Fund I: a partnership between Deutsche, Ashoka, and the International Association for the Prevention of Blindness, raise \$27 million to finance eye clinics around the world. This partnership has shown that the for profit finance industry can profitably connect investors with social and business opportunities.
- **Corporate Social Responsibility (CSR):** is fast becoming part of the mainstream amongst many large multinationals in terms of the way they do business. CSR is a concept by which companies integrate social and environmental concerns in their business operations and in their interactions with stakeholders and consumers. However, CSR has moved away from a purely public relations exercise to really begin to think about how social responsibility can add value to a company's bottom line, venturing into new models where philanthropy plays a role in opening up new markets. Goldman Sachs has been one of the leading practitioners in this space launching its 10,000 Women, global philanthropic initiative to provide women from developing markets with business and management education. Unlocking the power of education to improve economic development is also a theme Credit Suisse has adopted,

³ Maximilian Martin, "What is ahead for social investment?", pg 12

⁴ Arthur Wood, "A new social contract for philanthropy", pg 14

- In partnering with CARE International through its Global Education Initiative, it is improving the quality of education for marginalised girls in the Andes region of Peru and in rural communities in Tanzania.

22. Right now, these three pillars are operating ineffectively in isolation. In practice they should be more cohesive. The challenge is to combine them. The success of the 'Malaria No More' campaign (which has to a large extent been responsible for the world being on track to meet the Millennium Development goal for Malaria) provides a notable example of how a major giver of money, the Bill and Melinda Gates Foundation, has inspired a "grand coalition" of drug companies, governments and nongovernmental organisations (NGOs) to take collective action on a single issue. They have, included celebrities from footballer David Beckham, to private equity guru Ray Chambers (who is now the UN Special Envoy for malaria), to global companies like NewsCorp. What the Gates' have done with their Malaria campaign coalition building, needs now to be replicated on a global scale to deal with a much wider range of development problems.

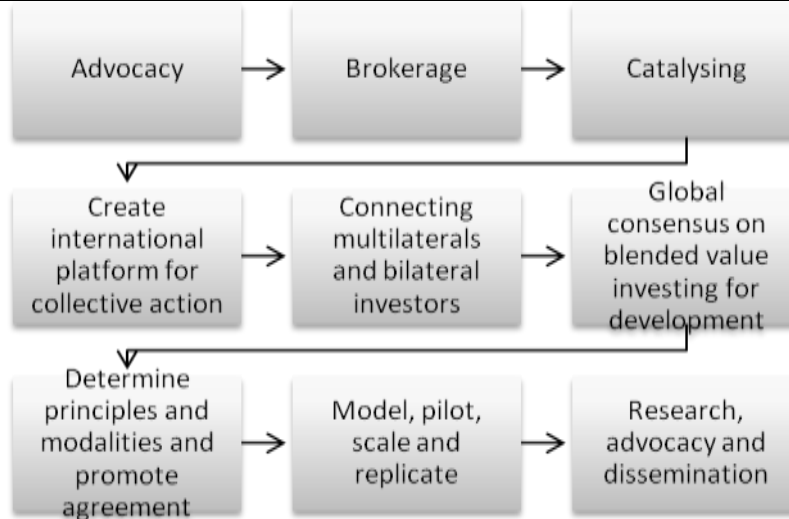
23. Aside from the political and diplomatic hurdles, the financing challenge is to combine grant financing traditionally made by philanthropists with social and for profit financing in a vehicle that allows the different types of capital to come together. Jacana Ventures (see Appendix E) is a good example of one entity using this joint capital pool approach. Jacana, which is tapping into the expertise of venture capitalists to build the venture capital business in Africa, uses grant financing to do its capacity building and commercial financing for contributing to its equity investments.

24. The social capital (which could be in the form of debt at a lower interest rate) acts as the missing link that facilitates the combination of grant money and commercial capital. As Arthur Woods highlights, it is about mixing different bits of capital together; so that there is capital at the top the private sector buys and capital in the middle that will be the risk capital tolerated by the social investment sector.⁵

25. The power of leveraging international collaboration lies in its ability to use blended investment approaches like Jacana's to create significant social value at a global level and to realise the promise and opportunity of funding systemic solutions to some of the most pressing development problems. The chart below highlights some of the benefits global collaboration on blended value investment could provide.

⁵ Arthur Woods, "A new social contract for philanthropy", pg 73

Benefits of international collaboration on blended value investment:



The Commonwealth role

26. Promoting investment in Commonwealth member countries is a core activity of the Commonwealth Secretariat. The Commonwealth has already shown that it is capable of promoting development finance innovation in the past two decades.

27. The Commonwealth Equity Fund (CEF) was established in 1989 to channel portfolio flows to new markets. The CEF was limited in its ability to reduce poverty and promote economic development in the Commonwealth as it concentrated on large scale investments mainly in two countries - India and Malaysia.

28. Drawing lessons from this experience, the Secretariat worked with the Commonwealth Development Corporation(CDC) to establish a series of regional venture capital-type funds (the Commonwealth Africa Fund; South Asia Regional Fund, the Kula Fund [Pacific]; and the Tiona Fund [Caribbean] under the Commonwealth Private Investment Initiative (CPII), which spread access to new equity financing among a wider range of Commonwealth countries in each region. The CPII successfully raised in excess of US\$800 million investment in developing regions of the Commonwealth and has demonstrated that small emerging economies can offer attractive returns to commercial investors.

29. While those funds were successful in channeling resources to a wider cross-section of countries, smaller countries were still being excluded by virtue of the deal size which was relatively large. CPII2 was subsequently launched to make smaller investments. A partnership was established, in 2001, with Aureos Capital. which managed investments in the \$3-10 million space. Subventions were received from AusAid and NZAID to support smaller deals in the Pacific.

30. There is now a need for a fund that caters for deal sizes in the SME (small, medium enterprises) market. As SMEs scale up, enter the formal sector, and employ

more workers they begin to compete regionally and globally. It is this growth from SMEs that will spread across an economy and economically empower a wide swathe of individuals such as to make a significant development impact. It is this process that will foster the growth of a middle class that is important for the cohesion and stability of societies.

31. There is need for a new investment vehicles for SMEs. Governments, investors and development agencies need to build new coalitions for alternative development financing. There is an important advocacy, brokerage and catalytic role that needs to be played to promote these coalitions.

Conclusion and Recommendations

32. Money available for development finance and the social sector, in particular, is likely to become more constrained. There is now a need for private investors, corporations, philanthropists, governments and development agencies to provide the intellectual and financial capital to build new investment vehicles that coordinate the currently separate silos of committed impact investors. To really capture the gains for development this needs to be done in a strategic, coherent and collaborative way.

33. The current challenge in blended value investing is that it is not being brought to bear at the requisite scale, which can lead to sustainable development and transform the lives of society's most vulnerable groups. Despite the growing enthusiasm from impact investors and the increasing numbers of mainstream investors allocating to that space, inefficiencies in the current impact investing sphere include:

- Investment capital that is unwilling or reluctant to go into riskier or less conventional markets where the need is greatest, like sub Saharan Africa.
- The mainstream financing structure of philanthropy still, in the main, only having two positions. A 'for profit' with social impact or a grant model where the money is given away. This system fails to provide a mechanism to scale an entity and more importantly provides no mechanism that encourages a systemic collaboration of players (for profit, not-for-profit, multilateral agencies, governmental and corporate).
- A lack of coherence. There is currently no common language or analytical tools that are standardised, leading to a lack of consistency.
- Legal systems which are unwelcoming and thus not conducive to facilitating investments from multiple capital sources.

34. The impact investing industry is still geared towards supporting investments either on the grant-making side of philanthropy or on the side of profit maximization, but not yet blended value investments. The current system is inefficient and presents a huge barrier to any form of coherence necessary for organised global action.

35. However, this creates new openings for impact investors. What the world needs now is an international infrastructure capable of orchestrating networks of blended value

investing, enterprise development, and wealth creation at all levels of capital and organisation. The potential for a leadership and advocacy role in leading the process of partnership building in development finance is significant.

36. Below are three approaches for the Commonwealth to consider.

1. The Commonwealth Secretariat could add value by bringing major corporations, development agencies and philanthropists together to think strategically about how their resources can have the greatest development impact. In this regard, it could consider convening, in collaboration with relevant Commonwealth bodies, private sector and Philanthropic actors to map out blended for –profit and low-profit financing tools for development.
2. The Commonwealth could develop a research agenda around investing for development impact, especially related to gender responsive investment.
3. Commonwealth could consider drawing on its expertise to examine the merits of different approaches to impact investing, including a blended investment fund.

37. Finally, the Commonwealth Secretariat can use its **advocacy** advantages to promote collective action between the various capital pools spanning the international, public and private sectors; its **brokerage** skills amongst development and finance intermediaries to promote scaling up and replication of best models as well as disseminating new knowledge in this field; and its **catalysing** skills to foster the collaboration necessary for blended investment.

ANNEXES

This report has 5 Annexes:

Annex A – Definition of key investment terms

Annex B – Major global philanthropists

Annex C – Top 10 US foundations by endowment 2007

Annex D – Europe’s richest ten foundations

Annex E – Profile of Major philanthropic organisations

Annex A

Definitions:

Definition	Explanation
Socially Responsible Investing (SRI)	<p>Socially responsible investing, also known as socially-conscious or ethical investing, describes an investment strategy which seeks to maximise both financial return and social good.</p> <p>In general, socially responsible investors favour corporate practices that promote environmental stewardship, consumer protection, human rights, and diversity. Some (but not all) avoid businesses involved in alcohol, tobacco, gambling, weapons, the military, and/or abortion. The areas of concern recognised by the SRI industry can be summarised as environment, social justice, and corporate governance (ESG).</p>
Impact Investing	<p>Impact investing seeks financial and social /environmental return. Impact Investors are individuals or entities who are putting their capital to work in investments that seek to generate both financial return and social and/or environmental value – while at a minimum returning capital, and, in many cases, offering market-rate returns or better. Impact Investing differs from “socially responsible investing” (SRI), which seeks</p>

	to avoid investments in “sin” industries, such as tobacco. In contrast, impact investors proactively focus their investments on businesses and funds that can harness the positive power of private enterprise.
Corporate Social Responsibility (CSR)	<p>Corporate social responsibility is about how businesses align their values and behaviour with the expectations and needs of stakeholders – not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR describes a country’s commitment to be accountable to its stakeholders. It can involve a range of activities such as:</p> <ul style="list-style-type: none"> • Working in partnership with local communities • Socially responsible investment (SRI) • Developing relationships with employees and customers • Environmental protection and sustainability <p>It can be seen as a form of strategic management, encouraging the organisation to scan the horizon and think laterally about how its relationships will contribute long-term to its bottom line in a constantly changing world.</p>
Patient Capital	Patient capital is understood as a debt or equity investment in an early-stage enterprise providing low-income consumers with access to healthcare, water, housing, alternative energy, or agricultural inputs. Patient capital is funding with a focus on return on long-term social good and overall world improvement, not an immediate return on investment.
Venture Philanthropy	Venture philanthropy (VP) is an approach to charitable giving that applies venture capital investment principles – such as long-term investment and capacity-building support – to the voluntary and community sector. It is a form of ‘engaged’ philanthropy.

Major global philanthropists

Top Donors	Description / Total donated	Why are they interesting to the Commonwealth
Bill and Melinda Gates	<p>Total donated: \$28 billion</p> <p>Gates' giving has really taken off since 1999 when he funded his family foundation with over \$15 billion in Microsoft stock. Since then, with further contributions from him and Warren Buffett, the foundation has become the preeminent philanthropic institution in the world, granting out \$3 billion a year. The foundation is known for backing ambitious coalition groups that attack intractable health problems, especially the "big three" infectious diseases: HIV, malaria and tuberculosis.</p>	<p>Gates' recent pledge at Davos (2010) of a further 10bn will bring his spending to more than that of the World Bank on vaccines.</p> <p>Significant work around health in Commonwealth nations particularly Africa (see Annex E)</p>
Michael Bloomberg	<p>Total donated: \$1.5 billion</p> <p>Bloomberg has quietly been building his philanthropic infrastructure. In 2007 he transferred \$900 million of his fortune to his family foundation. Since then he's joined with the Gates foundation to fight smoking--also a signature issue during his first mayoral term. Over the years, he's also given \$200 million to his alma mater, Johns Hopkins University, where he sits on the board; \$50 million to Princeton and the Carnegie corporation; and more than \$200 million to 850 charities. Bloomberg has said that after he retires from politics he will focus full time on giving away the rest of his \$16 billion fortune.</p>	<p>Bloomberg is interesting as he is an example of a philanthropist who absorbs failure and the risk taking government often cannot.</p> <p>Bloomberg's philanthropy explicitly searches out social innovations that currently work on a small scale and to grow them rapidly with government/public funds to maximise their social impact.</p>
George Soros	<p>Total donated: \$7.2 billion</p> <p>Soros is an eclectic giver, backing causes as diverse as clean-needle clinics in California and scientific research in Russia. His main philanthropic arm, the Open Society Institute, spent \$540 million last year, mostly promoting democracy, as it has since 1993. One area</p>	<p>Has been a giver to East, West and Southern Africa.</p> <p>Programmes of relevance to Commonwealth: African Governance Monitoring</p>

	Soros has focused on in recent years: helping ethnic minorities avoid discrimination, including the Roma in Eastern Europe and Muslims in Western Europe.	and Advocacy Project (AfriMAP); East Africa Initiative. (See Annex E)
Mo Ibrahim	Mo Ibrahim is an expert in mobile communications and founder of one of Africa's most successful companies, Celtel International. Founded in 1998, Celtel International has brought the benefits of mobile communications to millions of people across the African continent. The company operates in 15 African countries, covering more than a third of the continent's population, and has invested more than US\$750 million in Africa. In 2005, Celtel International was sold to MTC Kuwait for \$3.4 billion. In October 2006, Dr. Ibrahim launched the Mo Ibrahim Foundation to support good governance and great leadership in Africa	The Mo Ibrahim Foundation is trying to re-brand Africa. The award for Achievement in African Leadership offers a prize of \$5m (£3.1m) to former leaders who have promoted good governance. (See Annex E)
Azim Premji	Azim Premji is worth an estimated \$17 billion. The Azim Premji Foundation says it "Aims at making a tangible impact on identified social issues by working in active partnership with the Government and other related sectors of society". The Foundation was set up with financial resources contributed by Azim Premji. The organisation has over the years been instrumental in improving the quality of general education, particularly in rural schools.	Focuses philanthropy almost exclusively on education in India

Annex C

Top 10 US foundations by endowment 2007

Foundation (date of creation)	Assets (end 2007) in millions of dollars	Giving (2007) in millions of dollars
<i>Bill and Melinda Gates Foundation (2000)</i>	\$38,921m	\$2,012m
J. Paul Getty Trust (1982)	\$11,187m	n/a
<i>Ford Foundation (1936)</i>	\$11,045m*	\$526m*
Robert Wood Johnson Foundation (1968)	\$10,722m	\$408m
<i>William and Flora Hewlett Foundation (1966)</i>	\$9,285m	\$421m
W.K. Kellogg Foundation (1934)	\$8,058m*	\$273m*
Lilly Endowment (1937)	\$7,735m	\$342m
<i>John D. and Catherine T. MacArthur Foundation (1978)</i>	\$7,052m	\$232m
<i>David and Lucile Packard Foundation (1964)</i>	\$6,595m	\$308m
Andrew W. Mellon Foundation (1969)	\$6,540m	\$300m

Annex D

Europe's richest ten foundations

Foundation name	Total assets
Stichting INKA Foundation (Netherlands)	€ 28,300,000,000
Wellcome Trust (UK)	€ 18,300,000,000
Fondazione Hans Wilsdorf (Switzerland)	€ 9,110,000,000
Compagnia di San Paolo (Italy)	€ 7,750,000,000
Fondazione Cariplo (Italy)	€ 6,989,719,465
Sandoz Fondation de Famille (Switzerland)	€ 5,205,000,000
Robert Bosch Stiftung (Germany)	€ 5,069,736,000
Fondazione Monte dei Paschi di Sieni (Italy)	€ 5,000,000,000
Bertelsmann Stiftung (Germany)	€ 5,000,000,000
Knut och Alice Wallenbergs Stiftelse	€ 4,624,473,657

Gates Foundation

Background

The first Gates Foundation was formed in 1994 by Microsoft founder Bill Gates, giving on a relatively small scale, mainly to local causes in the Seattle region. In 1997 Gates launched a Library Foundation to provide computer access in public libraries in Canada and the USA. In 1999 he made his first mega-gift, \$16 billion, and formed the Bill and Melinda Gates Foundation, under the guiding principle that “all lives have equal value”. It was at this point that the Foundation started to work on global health issues.

The Gates Foundation is, by some distance, the world’s largest foundation, with an endowment of nearly \$40 billion (before the financial crisis) and pledges of further donations from Bill Gates and Warren Buffett for a sum at least equal to that and probably considerably more. The Foundation has increased grant making quickly and is planning to give away nearly \$4 billion this year despite a fall in the value of its endowment. (Gates is spending more aggressively than older foundations because of a commitment to spend all Buffett’s money within 10 years of his death and all Gates’ money within 50 years, whereas most foundations try to maintain the value of their endowment so that they can give in perpetuity.) Bill Gates left Microsoft in July 2008 to work full time at the Foundation.

Focus

The Foundation has four priority areas:

- a. Global health: principally focused on communicable diseases such as malaria, HIV, TB etc.
- b. Global development: agriculture, financial services for the poor, water and sanitation.
- c. Education and libraries: principally within the USA.
- d. Special projects: support to communities in the Seattle area, humanitarian funding.

Ford Foundation

Background

Originally created by Henry Ford as a way to beat the US inheritance tax laws and retain control of the motor company, his heirs effectively handed control over to an independent board. The Foundation’s mission is to strengthen democratic values, reduce poverty and injustice, promote international cooperation, and advance human achievement. It currently spends around \$0.5 billion a year. The Foundation has long been associated with liberal politics in the USA, which led to a rupture with the Ford family in the 1970s. In 2007, the Foundation appointed an executive from the consulting firm McKinsey, Luis Ubinas, as President, which was seen as a signal that the Foundation wanted to reform itself.

Focus

The Foundation's programme is currently being refocused around eight 'Core Issues':

- a) Access to Education: focused on secondary and higher education , including developing countries.
- b) Democratic, Accountable Government: includes civil society and transparency programmes in the developing world, as well as advocacy around reform of global financial governance.
- c) Economic Fairness and Opportunity: programme is largely focused on the US but includes work on access to finance and rural development in developing countries.
- d) Social Justice Philanthropy: supporting legal frameworks for philanthropy outside the US.
- e) Freedom of Expression: supports media development and public service media in developing countries.
- f) Sexuality and Reproductive Health and Rights: includes reproductive rights and sex education work in developing countries.
- g) Natural Resources, Sustainable Development: includes expanding community rights over natural resources and supporting rural communities' response to climate change.
- h) Human Rights: broad programme on legal, political and economic rights.

Operates 12 regional offices around the world, including Lagos, Nairobi, Johannesburg and New Delhi.

Hewlett Foundation

Background

Founded by IT entrepreneur William Hewlett, the Foundation is focused on social and environmental issues around the world, with total grantmaking of approximately \$0.4bn a year. The Foundation president Paul Brest is seen as one of the leaders in the field.

Focus

Current priorities are:

- a) Education: USA only.
- b) Environment: USA and globally on climate change (including policy advocacy and urban planning in developing countries).
- c) Global development: focused on growth, with a geographical focus on sub-Saharan Africa, South Asia and Mexico
- d) Performing Arts: San Francisco area
- e) Population: reproductive rights and population control globally
- f) Philanthropy: helping nonprofits maximize impact
- g) Special projects: mainly grants to academic organizations and thinktanks within USA.

Global Development Programme is focused on improving the efficiency of agricultural markets (including lobbying on trade reform), transparent and accountable governance

(focused on Mexico but includes support to International Budget Partnership), quality of education, supporting high-quality policy analysis in the developing world (including \$100 million thinktanks initiative, starting in Africa, delivered through IDRC). Particular interest in evaluation.

MacArthur Foundation

Background

John D. MacArthur made his fortune in finance and property, the Foundation was established upon his death in 1978, with a mission to support “creative people and effective institutions committed to building a more just, verdant, and peaceful world.”

Focus

Four main programmes:

- a) Global Security and Sustainability: human rights and international justice, peace and security, conservation and sustainable development, higher education in Nigeria and Russia, migration and human mobility, and population and reproductive health.
- b) Human and Community Development: focus on the United States, particularly Chicago area.
- c) General Programme: supports public interest media, including public radio, documentary programming, and work to explore the use of digital technologies to reach and engage the public, focused on Chicago.
- d) MacArthur Fellows: best known programme, awards five-year, unrestricted fellowships. It is limited to U.S. citizens and residents.

MacArthur grantees work in about 60 countries; the Foundation has offices in India, Mexico, Nigeria, and Russia. International grants are about 40% of total.

Packard Foundation

Background

Founded by IT entrepreneur Dave Packard (who was also Deputy Secretary of Defense 1969-72), the Foundation was the main beneficiary of his will when he died in 1996 (although it had been established in 1964).

Focus

Three main programmes:

- a) Conservation and science: large focus on marine conservation on US Pacific coast but also interested in climate change through policy work and scientific research, particularly around deforestation.
- b) Population: wide-ranging programme focused on global policy and country programmes in Ethiopia, India, Nigeria, Pakistan and Philippines.

- c) Children, families and communities: focused on California.

Rockefeller Foundation

Background

Founded in 1913 by oil tycoon John D. Rockefeller, as an institutional vehicle for his philanthropy, the Foundation is no longer in the top 10 foundations by grant-making (currently 13th, with assets of \$4.6 billion, \$163 million grantmaking in 2007). Retains a leadership role because of its historical achievements (such as the Green Revolution) and because of the restructuring by current President, Judith Rodin. When she took over in 2005, Rodin was given a mandate to reshape the Foundation for the 21st century. This was met with fierce resistance internally, and by stakeholders. Rodin's tenure is now widely seen as a success and has paved the way for other reforming presidents of established foundations, such as Ubinas at Ford.

Focus

- a) Repairing weak, outmoded health systems: launching new \$100m health systems initiative in July, starting with Rwanda.
- b) Building resilience to environmental degradation and climate change: focused on adaptation in cities in Asia (not Bangladesh).
- c) Addressing the risks of accelerating urbanization: finance, housing, sanitation etc. in cities in the developing world.
- d) Reweaving frayed social contracts: looking at work and employment in the USA.
- e) Easing basic survival insecurities: AGRA is main initiative.

Open Society Institute (and related Foundations)

Background

Financier George Soros has been an active philanthropist since the 1970s through various vehicles, starting with support for dissident groups within the Soviet Bloc. There are now more than 30 autonomous Soros Foundations around the world (often operating under the 'Open Society' brand), concentrated in Eastern Europe and the Former Soviet Union, but also in East, West and Southern Africa, as well as the Open Society Foundation in London. The Open Society Institute in New York is at the centre of this network. The broad mission of all the foundations is "to build vibrant and tolerant democracies whose governments are accountable to their citizens". Soros programmes are often controversial: he funded the campaigning organization moveon.org in the US, because of his opposition to President George W. Bush, and has been identified with the 'colour revolutions' in Serbia, Georgia and Ukraine.

Focus

Eight broad focus areas:

- a) strengthen civil society;
- b) economic reform;
- c) education at all levels;
- d) human rights;

- e) legal reform and public administration;
- f) media and communications;
- g) public health;
- h) and arts and culture.

Programmes of relevance to Commonwealth: African Governance Monitoring and Advocacy Project (AfriMAP); East Africa Initiative; Media Program; Publish What You Pay (PWYP).

Google.org

Background

Created in 2004 as a division of the Google corporation, receiving 1% of the proceeds of the company's flotation, plus 1% of annual profits and 1% of staff time. Not a foundation but free to use grant-making as well as for-profit investments to "use the power of information and technology to address the global challenges of our age". So far it has made over \$100 million of grants and investments. Google.org has recently undergone a change in leadership with the departure of Larry Brilliant to work for Jeff Skoll. There is some uncertainty about Google.org's future strategy.

Focus

Four areas of work:

- a) Clean energy: various investments to alternative energy technologies.
- b) Global health: various initiatives around information and surveillance of diseases.
- c) Access to information: various grants to organizations working on development indicators in India and Africa; includes support to SMEs through grants to Technoserve and Acumen Fund.
- d) Special projects: support to One campaign, various grants towards disease eradication, support to creation of World Bank Development Marketplace.

Omidyar Network

Founded by Pierre Omidyar, founder of eBay. Not legally a foundation – it is a company that makes not-for-profit and for-profit investments to achieve its goals. Focused on market-based approaches that target the bottom of the pyramid, targeting economic opportunity and leveraging Networks' expertise in internet technologies.

Still refining its strategy, moving towards working with fewer organisations more intensively and extending its geographical network (plans to appoint country managers in India and maybe East Africa).

Focus

Two investment areas:

1. Access to Capital:
 - a. Microfinance: address “specific constraints” to growth of sector, to make it profitable and more attractive to traditional investors.
 - b. SMEs: bridge the financing gap for SMEs by strengthening capital intermediaries and technology providers serving this sector.
 - c. Emerging market ventures: investing in businesses with a social impact in poor communities e.g. by providing affordable products and services.
 - d. Property rights: supporting NGOs helping poor people to get formal title to land and property and promoting policy reform in this area. Comment: bulk of activity has been in microfinance, so far but is starting to pull out of this area. Looking at micro insurance and new focus on SMEs in Africa (Kenya, Ghana, Sierra Leone, Liberia).
2. Media, Markets and Transparency:
 - a. Social media: supporting technologies that provide new ways to connect and communicate.
 - b. Marketplaces: supporting online intermediaries that help social entrepreneurs e.g. GlobalGiving
 - c. Government Transparency: supporting technologies that track government activities and money flows to make government more accountable.
 - d. Trust, reputation and identity: building confidence in transactions over the internet.

Skoll Foundation

Founded in 1999 by first CEO of eBay Jeff Skoll. Mission to advance “systemic change to benefit communities around the world by investing in, connecting and celebrating social entrepreneurs.” Grantmaking c\$30m p.a. but flexible. An additional c\$30m p.a. also coming from separate Skoll Urgent Threats Fund.

Skoll also owns Participant Productions, a for-profit film production company with a social mission that funded *An Inconvenient Truth*, *Fast Food Nation*, *Syriana* and *Charlie Wilson’s War*, among others.

Scope

Skoll Foundation has three themes, linked to support for social entrepreneurs working on human rights, health, environmental sustainability, peace and security, institutional responsibility, economic and social equity,:

- a) Invest: annual Skoll Awards to support social entrepreneurs with continuation, replication and expansion of programmes.
- b) Connect: Annual Skoll World Forum, hosted by Skoll Centre for Social Enterprise at Said Business School Oxford; Social Edge website to connect social entrepreneurs.
- c) Celebrate: work with media partners like PBS and Sundance Film Festival to promote social enterprise.

Skoll Urgent Threats Fund (managed by Larry Brilliant, formerly of Google.org): quick spending programmes to tackle climate change, water, pandemics, nuclear, Middle East conflict.

Clinton Global Initiative (CGI)

Background

Started in 2005 by President Bill Clinton to celebrate and promote philanthropy through an annual meeting where donors make 'commitments' (which can be financial or in-kind donations, or investments). Since 2005, companies, nonprofits and foundations have made 1,400 commitments, which the CGI values at several billion dollars. CGI vets commitments to ensure that they are genuine and monitors that they have been delivered. If donors do not honour commitments, they are not invited back. The CGI's Commitments Department has 21 staff, half managing new commitments, half doing monitoring and evaluation of existing commitments and will be running 'commitment building workshops' ahead of the meeting. So far, 300 commitments have been completed.

CGI now has manage the risk of any perceived conflict of interest with Hillary Clinton's role as Secretary of State, which has led to a reining in of its international work and greater transparency about funding for the, separate but related, Clinton Foundation. The CGI annual meeting in New York in September offers a platform and networking opportunity for public and private donors but there is a growing insistence that participants need to be involved by making commitments.

Focus

Broad range of interests across development and climate change.

Four 'critical action areas' for 2009: innovation, finance, human capital, infrastructure, plus cross-cutting theme of girls and women.

Children's Investment Fund Foundation (CIFF)

Background

Created in 2002 to use profits from Children's Investment Fund hedge fund (the Foundation receives one third of fund management fee plus half percent of assets under management one returns exceed 11%) run by Christopher Cooper-Hohn. The Foundation, run by Jamie Cooper-Hohn, aims to apply a capital market investment approach "to demonstrably improve the lives of children living in poverty in developing countries by achieving large scale and sustainable impact". Endowment c.\$2 billion. Grant-making so far increased steadily to \$50m in 2008, large endowment means able to scale up further. Undergone some reorganisation over last couple of years, grown to 34 staff; new strategy currently being launched.

Focus

Seven areas of work:

- a) Child survival: supports Prevention of Mother to Child Transmission programme of Clinton Foundation's HIV/AIDS Initiative.
- b) Hunger and nutrition: partnered with Gates to make a grant to GAIN to support nutritional supplements.
- c) Education quality: supporting improved teaching in Tamil Nadu state in India.
- d) Care environment
- e) Economic readiness
- f) Adolescent reproductive health
- g) Care environment

Plus a 'special initiative' on climate change, to reduce greenhouse gas emissions, through a grant to support advocacy by the European Climate Foundation.

Geographical focus: India, Malawi, Ethiopia, Uganda, Kenya.

Increased interest in policy advocacy

Mo Ibrahim Foundation

Background

Launched in 2006, by Mo Ibrahim, the Sudanese-born founder of mobile phone company Celtel. The Foundation's main activity is an annual recognition prize (of \$5 million, plus a \$200,000 p.a. pension) for a retired Head of State or Head of Government "who has demonstrated excellence in African leadership". As part of this process, the Foundation publishes an annual index on the quality of governance in each African country. While not large compared to other grantmakers, the Foundation is significant in that it is trying to stimulate debate about good governance in Africa and present a more positive image of African leadership to the rest of the world. The board of the foundation and the prize committee both have a majority of African members. Leaders from Mozambique and Botswana were the recipients of the first two prizes.

Focus

The Foundation is focused on the prize and the index, but has also launched a scholarship programme to build the capacity of young African leaders, in partnership with SOAS.

Jacana Venture Partnership (formerly Initiative Africa)

Background

Formed in 2009 by Stephen Dawson, Britain's leading venture philanthropist, founder of the Impetus Trust. Jacana is a new departure into development, bringing the skills of the UK venture capital industry to support the development of the venture sector in Africa (Jacana's aim is to support "The creation of a sustainable, responsible and robust venture capital industry in Sub-Saharan Africa"). Jacana is a for-profit business with a

social mission (the founders believe that demonstrating profitability is the best way to draw more capital into Africa).

In addition to its own running costs of \$1.8m, Jacana will raise \$1.3m to invest in 5 African Venture Capital Managers (VCMs), with a matching contribution from “twinned” international venture capital firms. The aim is to raise a \$50m fund for investment.

Focus

Jacana will:

- a) Build the capacity of a number of African Venture Capital Managers (VCMs).
- b) Raise private finance for the VCMs.
- c) Provide technical assistance to VCMs and their SME clients.
- d) Transfer a share of profits to a Jacana Foundation, which will support employment-related projects.

Currently exploring partners in Uganda, Tanzania, Mali, Kenya and Senegal. May also consider Nigeria, Zambia and Mozambique.

Virgin Unite

Background

Operating costs funded by Sir Richard Branson, with contributions in kind from the Virgin Group. Acts as convenor, leveraging funding from others rather than as a grantmaker itself.

Focus

Three major initiatives:

- a) Global Elders: international troubleshooters nominated by Nelson Mandela. Funded by range of philanthropists (including Skoll). Have intervened in Kenya, Sudan and Zimbabwe.
- b) Carbon War Room:
- c) Disease control in Sub-Saharan Africa:

Working with Number 10 on business leaders and Zimbabwe.

Shell Foundation

Background

Launched by the Anglo-Dutch Shell oil company in 2000 with an endowment of \$250 million, the Foundation works on “global development and environmental challenges linked to the impact of energy and globalisation”. The main focus is business-based solutions to poverty, using the expertise of the company.

Focus

The Foundation has five programmes:

- a) Aspire: support to SMEs in Africa through new sources of capital. A \$12 million initial investment by the Foundation has helped its partner GroFin to raise more than \$200 million from development finance institutions, foundations and banks to create a for-profit investment fund. GroFin operates in Kenya, Uganda, Nigeria, Rwanda, Tanzania, Ghana and South Africa. The Foundation is working to scale up this idea with other donors through the Aspen Network for Development Entrepreneurs.
- b) Breathing Space: commercially based scheme to develop clean stoves to reduce indoor air pollution.
- c) Trading up: support to companies to develop supply chains in developing countries.
- d) EMBARQ: finding solutions to urban pollution,
- e) Excelerate: supporting small-scale suppliers to provide energy and other utility services to the poor.

New Philanthropy Capital

Background

Created in 2002 by two partners from Goldman Sachs as 'philanthropic intermediary' to guide donors to high impact investments in non-profits through rigorous analysis. Not a grantmaker itself, but offers research and advice to donors, particularly new donors.

Focus

The majority of NPC's work has been on UK domestic issues but does have a small international team. NPC has also led the way in creating a profession of 'nonprofit analysts'.

World Water and Sanitation Facility (WWSF)

Background

An initiative rather than a grantmaker, currently being run under the auspices of Ashoka, the leading global network of social entrepreneurs (established by Bill Drayton). "Aims to bring together commercial finance providers, multilaterals such as WHO and UNICEF, social entrepreneurs and private individuals in a way which ensures maximum progress towards the water and sanitation MDG" by using a blend of grant, low-profit and full-profit financing (estimated global financing of \$80 billion required to meet the MDG).

Focus

Currently working with McKinsey to develop the concept and bring in partners.