

# The Bellagio Initiative

The Future of Philanthropy and Development in  
the Pursuit of Human Wellbeing

## Commissioned Paper

### The Role and Limitations of Philanthropy

Michael Edwards  
Demos, New York

November 2011

Copyright is jointly held by the three Bellagio Initiative partners: Institute of Development Studies (IDS), the Resource Alliance and the Rockefeller Foundation.

**IDS** is a leading global charity for research, teaching and information on international development. Its vision is a world in which poverty does not exist, social justice prevails and economic growth is focused on improving human wellbeing. IDS believes that research knowledge can drive the change that must happen in order for this vision to be realised.

**The Resource Alliance** has a vision of a strong and sustainable civil society. It aims to achieve this through building skills and knowledge, and promoting excellence. To help organisations increase their fundraising capabilities, the Resource Alliance provides a range of services and resources, including conferences, international and regional workshops, accredited in-depth courses in fundraising and communications, tailor-made training and mentoring, research, publications, newsletters and award programmes.

**The Rockefeller Foundation** has a mission to promote the wellbeing of people throughout the world. It has remained unchanged since its founding in 1913. Its vision is that this century will be one in which globalisation's benefits are more widely shared and its challenges are more easily weathered. To realise this vision, the Foundation seeks to achieve two fundamental goals in its work:

1. It seeks to build resilience that enhances individual, community and institutional capacity to survive, adapt, and grow in the face of acute crises and chronic stresses.
2. It seeks to promote growth with equity so that poor and vulnerable people have more access to opportunities that improve their lives.

In order to achieve these goals, the Foundation provides much of its support through time-bound initiatives that have defined objectives and strategies for impact.



For further information on the Bellagio Initiative:  
E-mail: [contact@thebellagioinitiative.org](mailto:contact@thebellagioinitiative.org)  
Web: [www.bellagioinitiative.org](http://www.bellagioinitiative.org)

# The role and limitations of philanthropy

**Michael Edwards, Demos, New York**

If a process to uncover the key drivers of wellbeing had been organised 15 years ago philanthropy would have been an unlikely focus of attention. International funding from foundations constituted a very small part of foreign aid, though it was respected for its contribution to the 'softer' side of development in areas like research and education, civil society and governance, and innovations in poverty reduction, agriculture and health. Foundations aimed to strengthen the infrastructure of social change by supporting indigenous actors and institutions as they grappled with problems and solutions over time. Their freedom and flexibility allowed them to focus on the longer term and take more political risks than other donors by funding work that aimed to transform the forces that hold societies back. There were plenty of small-scale successes to report from this approach, from early experiments in microfinance to the strengthening of social science and the spread of participatory approaches to local politics, but foundations had no discernible impact at the macro level on poverty, health or education.

Today the landscape of philanthropy is shifting, partly in response to perceived disappointments with these achievements and partly in response to a period of flux in development thinking which has challenged the assumptions of the donor community, foundations included. A different breed of investment-minded philanthropists has emerged to tackle global problems in a more concerted fashion and on a larger scale, described as 'hyper-agents' who will 'save the world' and transform foreign aid in the process (Bishop and Green 2008; Adelman 2009). With a focus on investing in social goods rather than supporting social change, these donors have reduced the economic risks of vaccine research, drug delivery, financial services and other vital interventions, pulling in much larger quantities of private support in the process. Their investments have already saved or improved the lives of hundreds of millions of poor people, but without much discernible impact on the structural factors that perpetuate inequality and dependence.

As these different approaches to philanthropy have surfaced and collided, an important debate has emerged around their relative efficacy. Some commentators see diversity as a continued source of strength, positioning foundations to address the complexity, contingency and negotiated nature of wellbeing. Others see it as a source of waste and misplaced priorities when key barriers to wellbeing could be removed in ten or 20 years, if only sufficient will and resources could be mobilised. Too often, this debate is framed in a way that polarises the 'old' as 'dated' and the 'new' as necessarily 'more effective', leading to impassioned but fruitless attempts to prove that one is 'better' than the other outside of a particular set of goals, circumstances and evaluative criteria which are themselves contested.

In this paper I argue that this is a serious mistake which displaces attention away from strategies that remain vitally important for wellbeing, and which weakens the synergies that exist between grants and investments in philanthropy, political and economic risk-taking, and social change and social goods. Instead we should recognise that these are complementary avenues for deploying the unique advantages of foundations. The first priority for policy and practice is to prevent these displacement effects by legitimising a continued diversity of approach.

Understanding the different dimensions of wellbeing is crucial to this task, because they remind us that material and non-material assets, resources and experiences are equally important to the outcomes that people seek through the processes of development and social change. Some approaches to philanthropy focus on the forces that determine these non-material elements of wellbeing, but they are slow to change and difficult to measure. Others concentrate on shorter-term improvements in material wellbeing which are easier to evaluate, but which may do little to tackle these deeper forces. But by combining elements from both approaches it should be possible to construct an 'ecosystem' of funding styles that matches the needs of the issues and communities at hand. Seen through this lens, different approaches to philanthropy are no more in competition with each other than hammers and screwdrivers in a toolkit, though we still need to know when and how to use these tools to best effect, and that requires substantial improvements in foundation learning and accountability.

Accountability has always been an issue for foundations regardless of their focus, but because the 'new' philanthropy is characterised by larger-scale investments, more direction and greater leverage over other providers of resources, its emergence has raised additional concerns about the private funding of public goods in the absence of more democratic decision-making structures and the checks and balances they can provide (Edwards 2010). Official regulation is unlikely to be effective in addressing these concerns, because private funding grows from the diverse ways in which individuals think about the means and ends of human wellbeing, matters on which there is no consensus. Philanthropy can also be switched to other causes or withheld completely when faced by attempts to manage these differences through government intervention.

Instead, this paper suggests that foundations can strengthen their own accountability by diversifying their boards of directors, strengthening feedback from their grantees and other independent voices, increasing coordination with host country governments, channelling more resources through public structures, and fostering a culture of self-criticism to produce a 'social science of philanthropy' from which everyone can gain. By following these recommendations it should be possible to maximise the advantages and minimise the risks of philanthropy as it continues to expand.

## How are wellbeing and philanthropy connected?

Situating the conversation about philanthropy in the context of wellbeing is important, because it provides a larger canvass than 'development' or 'growth' on which to paint the strengths and weaknesses of different approaches. McGregor and Sumner (2010) provide a useful framework to think about the different elements of wellbeing by separating out 'material' dimensions or 'objectively observable outcomes' such as nutrition, 'relational' dimensions like gender empowerment which measure how people engage with each other, and 'subjective' dimensions such as quality of life. These indicators are then mapped onto a set of policy interventions consisting of 'capabilities' and 'conditions' – the former representing actions aimed at individuals and the latter at the contexts that determine their broader impact, such as land reform and governance. Their conclusion is that material wellbeing is vital, but that it 'should not displace attention from less conventional public policy domains around relational and subjective wellbeing and thus values, relationships, norms and behavior' (*ibid.*: 109).

If we replace 'public policy' with 'funding', this framework applies with equal validity to the work of foundations, and it provides a useful set of criteria against which to judge the allocation of

resources. Thinking about wellbeing in this way forces us to consider all the different ways in which people experience social, political and economic change, along with the forces that enhance or constrain these experiences and how one is related to the other. Importantly, the more one moves along the spectrum from material to subjective dimensions of wellbeing, the less predictable and controllable the results of any intervention will be, an observation that has significant implications for philanthropy.

Philanthropy has long been defined as 'private funding in the public interest', sometimes expressed through the giving of ordinary people to their favorite causes, and sometimes in the form of foundations endowed with private funds. Charitable giving by individuals constitutes the lion's share of philanthropy in most societies, and its shape and effects are well covered in the literature on international charities, churches and development NGOs. This paper focuses only on foundations, since the concentration of resources and influence they represent poses some specific questions of its own.

It is important to note that foundations are diverse in their philosophies and priorities. Some, like the Ford Foundation and the Bernard van Leer Foundation headquartered in The Hague, operate along similar lines to international NGOs, while others have a distinctively corporate persona. Some new foundations have adopted traditional funding strategies around civil society and human rights – like the Sigrid Rausing Trust in Britain – while some older groups like the Rockefeller Foundation have enthusiastically embraced new thinking. More foundations in more countries now fund outside their national borders, but the philanthropic cultures they project are still taking shape in contexts such as Germany, Italy, Portugal and France. And even in middle-income countries where philanthropy is growing, like Brazil, India, South Africa and China, foundations are evolving along very different pathways. Compare, for example, the long-established giving of the Tata family in India to social policy and social science with the business-oriented philanthropy of Mukesh Ambani and other newer billionaires, or the social change foundations that Rohini Nilekani has launched with support from the IT giant Infosys which have little in common with 'philanthrocapitalism' elsewhere. Even further along the spectrum are newly endowed philanthropies like the 'Dalit' Foundation which is governed by some of the most disadvantaged members of society. These variations offer the intriguing prospect that philanthropy may depart from its Anglo-American template in the future, but they also make it difficult to generalise about foundations and their role. Even in the USA the landscape is already changing as a result of new technology and dissatisfaction with conventional foundation models, giving birth to networks such as KIVA and experiments like Google.org.

Nevertheless, all endowed foundations share two characteristics that, at least in theory, give them significant advantages over other funding agencies in tackling the deeper dimensions of wellbeing. The first is that they are released from the short-term imperatives of the financial cycle, since their corpus insulates them from the need to raise new funds or to make a return on the grants they provide. The second is that they are privately governed by their own boards of directors with minimal oversight from government, which means that they are free to make their own decisions on tactics and priorities without bending to political or other pressures. Taken together, these advantages should enable foundations to look to the long-term time horizons that social change requires, take risks that would likely make other agencies shy away, and offer support for work that is unpopular or underfunded for political or other reasons.

Whether foundations take advantage of these opportunities is another matter, but one should note that philanthropy was originally designed to fund activities that could not secure short-term results or returns and were therefore unlikely to attract support from government or the market. Today, the rising popularity of 'impact investing' has changed this rationale, even if the expected returns are more social than financial, since the timeframe and validity of the results to be

measured must satisfy the demands of investors (Emerson and Bugg-Levine 2011). So long as impact investing is seen as complementary to other forms of philanthropy this should not be a problem. However, the relative insulation of foundations from the financial and electoral cycles is not an unalloyed advantage, because it allows them to pursue goals and strategies that may or may not be effective and/or in line with the broader public interest. In this sense the greatest strength of foundations is also their greatest weakness, since the freedom to take bigger risks is also the freedom to make mistakes on a much larger scale, or to pursue narrowly particularistic ends. How to manage this dilemma is central to the question of accountability.

These dangers were less evident in the first wave of institutional philanthropy that swept across Europe and the USA in the late nineteenth and early twentieth centuries, when Andrew Carnegie and Quakers such as the Cadburys funded 'uncontested' public goods like libraries which enabled large numbers of people to gain and use knowledge for themselves. John D. Rockefeller applied the same philosophy in his early grants to historically black colleges and universities in Atlanta and other US cities, which educated many future leaders of the civil rights movement (Nielsen 1972). But Rockefeller exemplified another characteristic which pulled in the opposite direction by emphasising the value of a 'scientific', rationalistic method of allocating resources according to criteria that were less widely shared. As a Rockefeller Foundation mission statement put it in the 1920s, its funding was designed to 'increase the body of knowledge which in the hands of competent social technicians may be expected to result in substantial social control' (Schambra and Shaffer 2011: 448).

These tensions between control and empowerment, direction and facilitation, and rationality and subjective human judgement, have been woven through the thinking of foundations ever since. Periods of 'scientific' philanthropy with ambitious, high-profile goals have alternated with periods in which grant-making has aimed to support the capacities of others to make decisions for themselves, with the latter often coming in reaction to the problems and disappointments the former can create and vice versa. It is no coincidence that government intervention in philanthropy has coincided with instances of perceived overreach by foundations, as in the US Tax Reform Act of 1969 which was brought on by conservative opposition to the Ford Foundation's growing involvement in civil rights (Fleishman 2007). Ford's support for population control in India and economic reform in Indonesia during the 1960s and 1970s raised similar questions in the international development arena, as did the Rockefeller Foundation's support for the 'Green Revolution' – an iconic case of focused philanthropy whose costs and benefits are still debated to this day (Dowie 2001). In each of these cases there was some degree of 'blowback' against foundation intervention, so that by the 1980s and throughout the 1990s a more relaxed and participatory style had become the norm. Now the wheel is turning once again, with more support for close involvement by foundations in selecting problems and solutions and subjecting them to 'scientific' evaluation. In this sense, the formation of the Bill and Melinda Gates Foundation in 1999 was a pivotal moment in the history of philanthropy – combining a level of resources and a concentrated focus that had not been seen before.

Hence, the foundation world has always exemplified both 'hot' and 'cold' philanthropy as Frumkin (2006) puts it: instances when decisions are made according to the 'hot' passions and interests of their donors, periods when 'cold' evidence-based assessment has been widely used, and approaches which have trusted in the ability of ordinary people to use resources in ways that suit them best (Tierney and Fleishman 2011). Both the 'art' and 'science' of philanthropy have been important and remain in evidence today, which is why different observers have reached the opposite conclusions when evaluating the same foundation-funded programmes. Take the example of public radio and television in the USA, which progressives regard as a great success story of philanthropy because of its contribution to strengthening an independent public sphere,

surely one of the most important enabling conditions for wellbeing. However, according to the conservative Hudson Institute in Washington DC they represent a ‘Great Philanthropic Mistake’, because they foster the extension of the state into private life (Morse Wooster 2006). Conflicts over the role of foundations, the substance of their achievements, and the trajectories they should follow in the future are mapped onto pre-existing differences of belief, background and experience. Such differences may be inevitable, but they have been drawn into sharper relief by two developments that have emerged over the last ten years: the rapid expansion of foundation funding for development and a return to a more interventionist approach to deciding how these resources should be spent.

## How much foundation funding goes to international causes?

Total private aid for international development has been growing steadily for many years, and within that category philanthropy has also risen, though there are no agreed or truly comprehensive figures from which to draw conclusions. My best estimate is that, worldwide, foundations provided between US\$7.0 billion and US\$9.5 billion to ‘international’ or ‘development’-related activities in 2009, with approximately two-thirds coming from the USA (Foundation Center 2010; Hudson Institute 2011).<sup>1</sup> By comparison, the United Nations cites a worldwide figure of \$4.5 billion for 2005, representing an increase of 60–100 per cent in a period of four years, depending on which figures one uses – an impressive growth rate if these data are reliable (DECPG 2006). By far the largest contribution to these totals comes from the Gates Foundation, which spent US\$2.5 billion on ‘global health and development’ in 2009. Other international grant-makers are much smaller, though the Ford, Hewlett, Packard, Rockefeller and MacArthur foundations provide support in the hundreds of millions of US dollars when combined. For comparison, however, the Rockefeller Foundation’s total budget is smaller than that of Oxfam GB, and in 2009, other forms of ‘private engagement with developing countries’ in the USA outweighed philanthropy by a factor of eight to one (Hudson Institute 2011). At the global level foundations provided approximately 29 per cent of ‘grants by private voluntary agencies’ according to OECD statistics for that same year (OECD 2011a), but as a percentage of total development assistance they weigh in at just under 7 per cent.<sup>2</sup>

Hence, despite the continued growth in the numbers of foundations across the world – now over 176,000 in the US and Europe alone and growing every day – their collective spending is quite modest, and the individual reach of most is very small indeed, so it is important to keep a sense of perspective when assessing philanthropy’s contribution to wellbeing (EFC 2008; Foundation Center 2010). ‘Big’ philanthropy is actually quite small, at least when the Gates Foundation is removed from the equation. The rising profile of philanthropy has undoubtedly been influenced by the sheer size of Gates – by far the largest foundation the world has ever seen – and by the highly concentrated nature of its international spending on global public health. At US\$14.7 billion since 1994 and rising, the Gates Foundation is now the largest funder in this area outside of the US and UK governments (OECD 2011b). The ‘Giving Pledge’, through which Bill Gates and

---

<sup>1</sup> The Hudson Institute figure for the USA is much lower than the Foundation Center figure for the same year. My estimates include \$US1.75 billion from foundations in the European Union and a ‘guesstimate’ of US\$1 billion from foundations in other countries. The estimate for the EU was calculated using figures provided in EFC (2008), which found that 12 per cent of foundation spending went to ‘international development’ on total assets of €237 billion and an assumed payout rate of 5 per cent.

<sup>2</sup> Calculated using the mid-point of my estimates for total foundation giving (US\$8.25 billion).

Warren Buffet are trying to persuade other billionaires to give half of their net worth to philanthropy, has boosted the visibility of giving even more, and close to 100 people have signed the Pledge already. Although it is not known how much of this spending will find its way to international causes, it is clear from the success of the Clinton Global Initiative (CGI) and other networks that public health, agriculture and microfinance are attractive causes for the target audience they share with Gates and his peers. In September 2011, for example, CGI announced a further \$6.5 billion in pledges from private investors – around the same as the total annual spending of US foundations overseas in 2009.

On the other hand, the Gates Foundation is unique, and there is no sign that other philanthropies will grow or be launched to match its size. Like many other ‘new’ philanthropists, Bill and Melinda Gates have decided to ‘spend down’ the endowment of their foundation at a specified time after they pass away, and although philanthropy is currently enjoying a wave of popularity among the rich there is no guarantee that this will last, especially if the global recession continues. So overall, the resources available to foundations are likely to be small even if they continue to grow in numbers and, to some extent, in size, especially when compared to the complexity of the problems they confront and the larger resources and influence of governments, civil society and business. But ‘small’ is not the same as ‘insignificant’, especially when resources are creatively applied, and that is why so much attention is paid to questions of strategy and leverage.

## Philanthropy and wellbeing: From support to intervention

Given the high degree of diversity that exists among foundations, any classification of their strategies will over-simplify and exaggerate distinctions. Nevertheless, it is useful to distinguish between two philosophies of change. The first focuses on building the capabilities of others to address problems in ways that suit them best, even if this requires a long and circuitous journey over time. The second concentrates on solving a subset of the most acute or important problems in specific ways, ideally with spillover effects on the forces that influence long-term change. Both approaches are important, but they are suitable for tackling different elements of wellbeing in different ways.

### **Strengthening the infrastructure of social change**

Drawing evidence and inspiration from the experience of East Asia and other success stories in development such as Chile and Brazil, many foundations have focused on strengthening capacities and relationships in and between the institutions of government, civil society and the market, leaving them to decide how to deploy these capabilities around specific issues as circumstances change (Wade 2003; Edwards 2004). Such a focus allows local forces to deal with the politics of development as they arise, prioritising different issues at different times, experimenting with solutions, and internalising accountability for failure and success in order to build coalitions for lasting change. Periods of large-scale social progress in the industrialised world have followed a similar pattern, when government intervention and civil society pressure have been strong enough to break through barriers to change, regulate markets, and encourage businesses to pursue long-term strategic goals. The post-Second World War settlements in Britain and the USA provide examples of episodes like this, along with the ‘Great Society’ reforms of the 1960s. As the economy grows, the polity matures and social contracts are cemented, health care, education, poverty and other issues can be gradually addressed, and more attention

can be focused on the relational and subjective dimensions of wellbeing and the structural conditions which determine their realisation across the population.

One illustration of this approach has been the support provided to the evolution of new forms of participatory local governance by a group of foundations over the last 20 years that includes Ford, Mott and Hewlett, the Open Society Institute, and the Rockefeller Brothers Fund, with research support from the Institute of Development Studies and its partners in the Global South. By promoting new models of political transparency and accountability, citizen participation in the budget process and other elements of governance, and stronger civil society groups in general, these foundations have helped to popularise important innovations both on the ground and with other, larger donors, and to launch strong intermediary policy and training groups like Revenue Watch and the International Budget Project, consortia of whistleblowers and investigative journalists, and global networks that share learning with each-other. As a result, citizens in over 100 countries now have access to public budget processes and they have been able to influence the allocation of resources. Foundations did not 'build' this process directly, nor did they initiate the Campaign for Freedom of Information in India or any other social movement, nor did they elect governments like that of ex-President Lula in Brazil that have improved the wellbeing of millions of poor people. But by supporting networks of citizens' groups as they evolved they did help to strengthen the building blocks of these changes, which were all the more successful because they developed without too much external support or direction and therefore had a degree of 'fit' with their environment that should strengthen their sustainability.

Other examples include the multi-foundation 'Higher Education Initiative for Africa', which aimed to strengthen the intellectual and communications capacities of universities across the continent, and the MacArthur Foundation and Carnegie Corporation's efforts to support the emerging field of international security. In the economic arena the Ford Foundation supported early experiments in microfinance (including the first grants and loans to the Grameen Bank) and large amounts of philanthropy have gone to strengthen the livelihoods of low-income families in different ways. This has been done not just as an end in itself but also as a basis for collective action and political engagement, since historically the strength of the poor lies in their numbers and not in their assets as individuals, activated through pro-development associations that can secure accountability from the state.

By boosting the strength of indigenous institutions in this way, foundations can sometimes help to lever larger changes in society, but this has to be undertaken carefully so as to preserve the primacy of local control and direction. In addition these effects are difficult to measure, and virtually impossible to attribute to philanthropy alone, because the factors that influence the ecosystems of social change are too complex to be manipulated through outside intervention. Plenty of evaluations have been undertaken by foundations to understand their role in these systems, and they show that strengthening institutions does pay dividends over time, but apart from the 'Green Revolution' (which has one leg in each of these approaches), there are few boundary-breaking examples to speak of in this form of philanthropy.

Does this mean that support for local infrastructure is too comfortable an option, an example of 'beige philanthropy' as one critic puts it – a vapid and uninteresting colour that is the default option for the safety-conscious (Ruesga 2008)? Common criticisms include a tendency to disperse funds in small amounts to large numbers of organisations, which makes concentrated action more difficult; pursuing causes that are close to the heart of programme officers but weakly rooted in society; and placing too much faith in democracy and participation in situations where people may gain from interventions that appear to be against their interests. There is some truth to each of these assertions, but since the goal of this approach is not to 'solve' the problems of

wellbeing but to be useful in their resolution by local institutions, they do not invalidate the use of philanthropy to strengthen the infrastructure of social change.

## **Investing in the provision of social goods**

Other philanthropists have more serious misgivings, judging that this first approach is unnecessarily slow and timid, especially when urgent problems are destroying the capabilities of large numbers of people against the background of weak indigenous institutions. If these problems can be 'fixed' using tried and tested thinking then there is a clear moral imperative to do so, and to do so in the most efficient way so that resources are released for equally important work elsewhere. This logic generates a more focused style of grant-making which aims to achieve results within a specified timeframe and places a higher priority on certain measurable indicators of success, and these characteristics are particularly well suited to foundations that emerge from a business background and that wish to apply the same techniques in the world of development and social change. The 'dot.com' boom of the 1980s and 1990s created large fortunes for technology entrepreneurs like Bill Gates who have inspired a whole generation of 'new' philanthropists. At the same time, the rise of 'results-based management' techniques across a range of institutions has given new impetus to attempts to direct resources for development in the most cost-effective ways.

Taken together, these factors have fostered a more 'entrepreneurial results-oriented framework' for philanthropy that is characterised by 'personal engagement, leverage and impatience' (Foster, cited in Edwards 2010: 10). More use is made of market mechanisms to reduce poverty and deliver social and environmental goods, often in ways that demand a financial return in order to promote the sustainability of the processes involved. A whole sub-field of philanthropy has opened up around these ideas with a vocabulary of its own, including 'strategic' philanthropy, 'venture' philanthropy and 'philanthrocapitalism', marked out by a more interventionist approach to choosing which problems to select, how best to resolve them, and which indicators to use in measuring success. 'Intervention' here is used in the positive sense of close accompaniment, advice and involvement by donors in every aspect of programme design, delivery and evaluation – these being key factors behind the success of venture capital investing in the private sector.

Examples of this approach are especially common in programmes that address the material dimensions of wellbeing through public health, agriculture and financial services for poor people, since these are most suited to the kind of supply chain management and technology innovation that are second nature to business-minded donors. The Gates Foundation's work on vaccine research is well known, with another US\$10 billion over ten years announced in 2010. Similar resources are financing large-scale drug distribution for HIV/AIDS and other killer diseases through mechanisms like the Global Fund to Fight AIDS, Tuberculosis and Malaria. In general, the Gates Foundation's reputation as 'the modern-day NASA of the global health field' is widely shared (Shore 2010), and there is no doubt that these efforts have saved and/or improved large numbers of lives and have pulled in substantial additional resources from other donors. The Clinton Global Initiative alone, for example, claims to have positively affected over 200 million people since 2005 (Edwards 2010: 7).

Other examples of this approach include the 'Alliance for a Green Revolution in Africa' (AGRA). This is a new version of the first Green Revolution with more emphasis on equity and sustainability to address the problems that arose with high-input farming over time, microfinance and micro-enterprise development, and support for 'social enterprise' – profit-making businesses that deliver a better balance between social and financial returns. Innovations such as improved cooking stoves and water containers, and solar-rechargeable lighting, cell phones and computers are sure to have an impact on material wellbeing, and despite recent controversies in India and

elsewhere, loans and other financial services like insurance do have positive effects on the economic security of poor people. In addition, they often have spillover effects on group skills and confidence that can be used to strengthen the bargaining power of low-income groups in local politics – a contribution to relational indicators of wellbeing as well as individual assets (Collins *et al.* 2010).

Nevertheless, the common feature of these examples is that, while success is certainly achievable in delivering goods and services to and for poor people, it is more difficult to tie these successes to shifts in the underlying forces that underpin large-scale progress in wellbeing (Jenkins 2011). Take Bangladesh, for example, which has been described as a wellbeing success story in terms of growth and poverty reduction (partly due to the sheer scale of microfinance), but a failure in terms of its continuing ‘propensity for conflict and political breakdown’ (Devine 2008). In public health, strengthening health *systems* has proven very difficult, with research by the Center for Global Development indicating that too much of a focus on delivering drugs and vaccines to end-users does little to help, and may actually do some harm, to the long-term health management capacities of governments, providing perverse incentives to reduce domestic health spending in the process (CGD 2008; IHME 2010). AGRA is controversial in some circles because the benefits of markets and technology are emphasised above their potential costs, but the looming global food crisis is unlikely to be tackled successfully without tackling food prices, and therefore addressing the vexed questions of who owns and controls production, processing and supply, and in these areas business and the market are part of the problem as well as part of the solution (Holt-Gimenez 2008). This is why combining action on ‘capabilities’ and ‘conditions’ is so important to the deeper dimensions of wellbeing (McGregor and Sumner 2010).

It is clear that this approach to philanthropy has succeeded in leveraging resources for important problems whose economic risks would normally make them unattractive to private investors, where most capital is located. In order to pull in support in this way, the elements of wellbeing must be simplified and rendered down, as in a machine in which levers can be pulled and switches thrown in order to achieve the desired results – never with complete predictability but, as with any successful enterprise, built around detailed management information systems that supply a high degree of feedback and control. The more one disaggregates the components of wellbeing into smaller and more manageable pieces in this way, the more each piece can be measured and controlled in order to increase efficiency and boost returns on investment, but the same pieces cannot simply be rearranged to the same effect in different contexts. The long term is not just a series of short-term interventions tied together, but a more organic process in which the structures of society, politics and the economy continually evolve. And against this background, investing in social goods is only one part of a broader mix of solutions. This is why different approaches to philanthropy need to be seen as complementary.

## **Complementarity or displacement?**

It is clear from this account that foundations address different dimensions of wellbeing in different ways and over very different timeframes. Is this a source of strength or weakness in philanthropy, something to be celebrated or corrected? Should all resources be encouraged to move in the same direction, displacing support away from some strategies in order to strengthen others?

The deepest challenge of wellbeing is ‘to live well together’, and that is a challenge of a different order from delivering vaccines or improving the drought-resistance of new seeds (Deneulin and McGregor 2010: 503). Building the infrastructure of social change is more likely to be effective in nurturing these deeper capacities and connections over long periods of time and with many detours along the way, but wellbeing also rests on more basic capabilities and ultimately on

human survival, and in these areas the second approach to investing in social goods has much to offer in addressing urgent problems in a concentrated way. Even better are cases that integrate elements from both approaches into a new mix of technology and democracy, markets and politics, and short- and long-term change. Shack Dwellers International is one, supported by large grants from the Gates Foundation for its housing loan improvement fund and by other foundations for its work on advocacy and social movement building. The International AIDS Vaccine Initiative is another, combining the best medical research with capacity-building and popular participation (Chataway and Smith 2007). And many foundations already combine grants, loans and other forms of investment in their portfolios, accepting that each is appropriate to a different set of circumstances. The most effective methodology for finding a vaccine against malaria, for example, will be very different from that required to nurture new experiments in democracy, but both are vital for wellbeing.

Despite these obvious conclusions, the excitement generated by the 'new' philanthropy with its promise of quick results may displace attention away from the equally important but messier task of transforming institutions, presaging a return to the 'silver bullets' that have reappeared with depressing regularity in foreign aid (Brooks et al. 2009). At a time when development assistance is becoming more technocratic generally it is worth asking whether foundations should support or mimic this trend or hold out the option of a different style of funding. In the USA foundations have already disinvested in community organising and advocacy in just this manner, despite their historic importance to social change (Edwards 2010). Such displacement effects are unlikely to get us where we need to go in promoting the deeper dimensions of wellbeing, for who will fund the really difficult and dangerous work of transformation if foundations also turn away?

Recent books on philanthropy claim that the newer, data-driven approach of foundations is 'smarter' and more 'strategic' than the approaches that came before, but it would be more accurate to say that different approaches measure different things in different ways, based on different conceptions of what is most important (Brest and Harvey 2008; Bronfman and Solomon 2009; Morino 2011). That is because different dimensions of wellbeing are 'incommensurable', meaning that they lack any common or agreed measurement of value. Some foundations value short-term improvements in material wellbeing over every other indicator, while others are preoccupied by long-term systems change. Some are prepared to trade off democratic participation in order to 'get things done', while for others 'getting things done' is the task of democracy itself. Some are happy to focus on extending poor people's participation in the current structure of the economy, while others want to transform it in order to address the future challenges of climate change and consumption. And in the field of philanthropy for school reform there are competing visions of the very purpose of education which measure different things – standardised test scores in mathematics and English versus self-actualisation and civic skills. These are quintessential debates about wellbeing because they concern the values we want our institutions to transmit, the kind of people we want them to nurture, and the visions of the good society we want them to create.

There are no data or moral arguments to 'prove' that one of these approaches is better than the others, so when interrogating the effectiveness of foundations the key question is always 'effective in doing what'? On what criteria, over which timescale, and who decides? Should malaria be controlled or eliminated, or should resources go to other diseases instead? Is a slow evolution of sustainable agriculture better than another green revolution with unforeseen effects? Should I spend my money on education or civil society development or energy-efficient transport, and if so how – by supporting advocacy or product innovation or community activism or a mixture of all three? As with so much in philanthropy these turn out to be matters of opinion, even though they often masquerade as fact. And when the 'best' course of action is uncertain or contested,

strong learning and accountability mechanisms are vital, not to force all foundations in the same direction but to make sure that they remain open and responsive to public scrutiny and rigorous research whatever it is they do. When those conditions are present, performance improvements and diversity can be enhanced together. Unfortunately this is far from the case today.

## **The importance of accountability**

Commentators from a range of different positions coalesce in their judgement that a serious 'accountability deficit' exists across the field of philanthropy (Fleishman 2007; Bishop and Green 2008; Rogers 2011). There are many reasons why this might be the case, and some are easily defensible, like the fear of political interference from governments who wish to skew foundation spending in ways that suit their interests. Foundations are privately governed by their own self-selected boards of directors, and those endowed by a particular family naturally want to retain ultimate control over policy and spending. The culture of philanthropy has never been particularly self-critical or self-reflective, perhaps because of the insulating effects of endowments and the fact that potential recipients of funds are reluctant to 'bite the hand that feeds them'. And underlying all these factors is the jealously guarded independence which many foundations believe is their most important asset, but which can end up by distancing them from the public. In the USA, increasing numbers of foundations no longer accept unsolicited applications, preferring to determine their own course of action and have it executed by the grantees they select. Whatever the mix of reasons, the tendency of foundations to under-invest in learning and evaluation, their lack of transparency and openness to public scrutiny, and their fear of government intervention have combined to create the impression that a serious accountability problem exists.

When foundation resources were small and dispersed these problems could be considered as minor irritants, but with the growing size and concentration of spending on high-profile issues like food security and health they are assuming more importance. Most problematic of all are cases where weak accountability meets large volumes of resources spent on controversial issues or techniques. Here, the potential for undue influence by private actors over public policy is most acute, and it can generate a backlash with serious effects. Take school reform in the United States, where the Gates, Broad, Walton and other foundations are pushing a series of market-oriented reforms intended to improve secondary education against mounting opposition from teachers' unions and others who vociferously object to the 'Billionaire Boys Club' and its influence over this quintessential public good (Ravitch 2010). The result is an increasingly fractious public conversation about the role of foundations in American society which echoes earlier accusations of overreach and calls for government intervention.

Could something similar happen in the international sphere? There are already murmurs in public health, with complaints by WHO officials about the Gates Foundation and its influence over policy and research and a running debate in the pages of *The Lancet* about the distorting effects of so much philanthropic funding (McNeil 2008; *Lancet* 2009). Whether or not these criticisms are justified, there are legitimate concerns about the consequences of privatising development-related decision-making and the potential of 'shadow elites' of networks of philanthropists to usurp the democratic accountability of governments for public policy choices. In this respect some care is required when encouraging foundations to exercise more convening power in the international arena, as has been recommended as a logical role by some observers. How can these potential problems be managed?

# Some ways forward: Maintaining diversity and strengthening accountability

## **Building an ‘ecosystem’ of philanthropy**

The first priority is to preserve and enhance the diversity of funding options from foundations in order to ensure that every aspect of wellbeing is attended to in the most appropriate way, whether through grants, loans or investments; in the short or longer term; and with fair access, as far as is feasible, for every issue and community of interest. This will automatically reduce the dangers of domination and distortion by any particular donor. There may not be much that governments can do to encourage an ecosystem like this – foundations themselves must take responsibility – but given the current allocation of resources it is particularly important to provide funding windows for work that is closer to the ‘transformative’ end of the spectrum. Examples include the Ford Foundation’s attempts to build the capacity of developing country economists to think beyond the ‘Washington Consensus’ in the 2000s, and work to address tax evasion by multinational businesses that far outweighs the value of foreign aid.

A second striking omission in most of the foundation community is the provision of more open-ended funding to help institutions explore and confront the ‘wicked problems’ that loom on the horizon, such as climate change, conflicts over scarcity, crisis response of various kinds, and rebuilding the social contracts that underpin these things. Very little work is supported around emerging systems of cross-border governance just at the time when their importance is increasing. These are key choices for foundations in the future that may demand very different strategies, but they are also choices for the broader public and hence raise the issue of accountability.

## **Strengthening the accountability of foundations**

Managing the tensions between freedom and accountability is difficult through regulation because philanthropy can easily be withdrawn, but many voluntary actions could be taken. The easiest place to start is diversifying boards of directors by inviting independent representatives with contrasting perspectives. The Gates Foundation controls a quarter of global spending on public health and has a board of three family members plus Warren Buffet – a model that is unlikely to be effective in governance terms and is sure to raise more questions in the future. Like other foundations, Gates is experimenting with ‘advisory panels’ of various kinds and these can be useful, but only if they are similarly diverse and have some formal role in oversight. In the USA the Center for Effective Philanthropy manages a structured process of anonymous feedback from grant recipients to foundations which has already resulted in improvements and could be adopted internationally, perhaps complemented by an ombudsman for the largest or most controversial foundation programmes modelled along the lines of the World Bank Inspection Panel.

Secondly, in-country coordination between foundations and host governments has been formalised in Liberia and elsewhere through a special office for philanthropy under the Cabinet or President, which ensures that foundations liaise both with each other and with the national authorities (Wales 2010). This works well so long as it does not displace structured dialogue between civil society and government. Earlier experiments with consortia of donors in microfinance and other areas offer many useful lessons. Foundations can also be encouraged to participate in OECD coordination mechanisms and codes of conduct, processes from which they have largely been disassociated thus far.

Thirdly, more institutional philanthropy could be channelled through funding structures that are governed by a broader cross-section of stakeholders at the national and international levels, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria which has formal civil society representation on its board. More radically, foundations could endow local philanthropies and encourage them to make their own grants in their own national spaces, as the Ford Foundation has done in cases such as the Arab Human Rights Fund and Trust Africa.

Finally, more independent evaluation, transparency and public debate are vital, with the aim of building a broader knowledge base around different approaches to philanthropy which is less mediated by foundations themselves. Some foundations already publish some of their evaluations, but there is too little comparative work to investigate broader patterns. None of these measures would do away with the essential independence of foundations or curb their flexibility, but all of them would add more checks and balances and encourage greater learning and impact over time.

## Conclusion

Philanthropy can be used to maintain existing systems, extend them to lower-income groups or transform them completely; to save lives, safeguard livelihoods or promote the deepest aspects of wellbeing. But it is unlikely that foundations will ever agree on the 'best' grants to make, the 'most important' issues or the 'most effective' tactics to adopt, because the philanthropic impulse springs from the beliefs and experiences of so many different individuals. However, by airing these differences in a serious and open fashion, shorn of the exaggerated claims that are common in this field, it should be possible to develop a 'social science of philanthropy' from which everyone can gain.

Such a social science would look at the conditions under which different approaches to philanthropy are effective in tackling different elements of wellbeing, identify areas of synergy and trade-offs, and facilitate the emergence of an ecosystem of foundations and funding styles that matches the diversity of problems and contexts that exist in any national or international setting. But learning requires openness and humility, which are challenging to any funding agency at any time, but perhaps particularly to those in command of their own large resources and the freedom to do with them as they will. 'Power always thinks it has a great soul and vast views beyond the comprehension of the weak' wrote John Quincy Adams, the sixth President of the USA (Edwards 2010: 72).

Foundations do have power, but they also have an obligation to use it in ways that help people choose the future that is best for them, even if this takes more time, differs from standard templates, and encounters unsuspected detours along the way. Balancing the demands of democracy with the determination to address global problems in a focused and energetic manner is the key issue facing philanthropy in the century to come.

# References

- Adelman, C. (2009) 'Global Philanthropy and Remittances: Reinventing Foreign Aid', *Brown Journal of World Affairs* XV.1): 23–34
- Bishop, M. and Green, M. (2008) *Philanthrocapitalism: How the Rich Can Save the World*, New York: Bloomsbury
- Brest, P. and Harvey, H. (2008) *Money Well Spent: A Strategic Plan for Smart Philanthropy*, New York: Bloomberg Press
- Bronfman, H. and Solomon, J. (2009) *The Art of Giving: Where the Soul Meets a Business Plan*, San Francisco: Jossey-Bass
- Brooks, S.; Leach, M.; Lucas, H. and Millstone, E. (2009) *Silver Bullets, Grand Challenges and the New Philanthropy*, Brighton: Steps Centre, University of Sussex
- CGD (2008) *Seizing the Opportunity on AIDS and Health Systems*, Washington DC: Center for Global Development
- Chataway, J. and Smith, J. (2007) 'Participation, Communication and Innovation: Thinking About the International AIDS Vaccine Initiative', *IDS Bulletin* 38.5: 74–81
- Collins, D.; Morduch, J.; Rutherford, S. and Ruthven, O. (2010) *Portfolios of the Poor*, Princeton: Princeton University Press
- DECPG (2006) *Philanthropic Foundations: Actual Versus Potential Role in International Development Assistance*, New York: United Nations
- Deneulin, S. and McGregor, A. (2010) 'The Capability Approach and the Politics of a Social Conception of Wellbeing', *European Journal of Social Theory* 13.4: 501–19
- Devine, J. (2008) *Wellbeing and the Rotten Foundations of a Development Success*, Briefing Paper 3/08, ESRC Research Group on Wellbeing in Developing Countries, University of Bath
- Dowie, M. (2001) *American Foundations: An Investigative History*, Cambridge MA: MIT Press
- Edwards, M. (2010) *Small Change: Why Business Won't Save the World*, San Francisco: Berrett-Koehler
- Edwards, M. (2004) *Future Positive*, London: Earthscan
- EFC (European Foundation Centre) (2008) *Foundations in the European Union: Report on Work by EFC Research Task Force*, Brussels: European Foundation Centre
- Emerson, J. and Bugg-Levine, A. (2011) *Impact Investing: Transforming How We Make Money While Making a Difference*, San Francisco: Jossey-Bass
- Fleishman, J. (2007) *The Foundation: A Great American Secret*, New York: Public Affairs Foundation Center (2010) *International Grant-making Update*, New York: Foundation Center
- Frumkin, P. (2006) *Strategic Philanthropy: The Art and Science of Giving*, Chicago: Chicago University Press
- Holt Jimenez, E. (2008) 'Out of AGRA: The Green Revolution Returns to Africa', *Development* 51: 464–71
- Hudson Institute (2011) *Index of Global Philanthropy*, Washington DC: Hudson Institute

- IHME (2010) *Financing Global Health: Development Assistance and Country Spending*, Seattle: Institute for Health Metrics and Evaluation
- Jenkins, G. (2011) 'Who's Afraid of Philanthrocapitalism?', *Case Western Reserve Law Review* 61.3: 1–73
- Lancet, the* (2009) 'What has the Gates Foundation done for Global Health?', *The Lancet* 373.9675: 1577
- McGregor, A. and Sumner, A. (2010) 'Beyond Business as Usual: What Might 3-D Wellbeing Contribute to MDG Momentum?', *IDS Bulletin* 41.1: 104–12
- McNeil, D. (2008) 'Gates Foundation's Influence Criticized', *New York Times*, 16 February
- Morino, M. (2011) *Leap of Reason: Managing to Outcomes in an Era of Scarcity*, Washington DC: Venture Philanthropy Partners
- Morse Wooster, M. (2006) *Great Philanthropic Mistakes*, Washington DC: Hudson Institute
- Nielsen, W. (1972) *The Big Foundations*, New York: Twentieth Century Fund
- OECD (2011a) *Development: Key Tables from OECD: Grants by Private Voluntary Agencies*
- OECD (2011b) *Statistical Reporting by the Bill and Melinda Gates Foundation to the DAC*, [www.oecd.org/document/45/0,3746,en\\_2649\\_37413\\_47526125\\_1\\_1\\_1\\_37413,00.html](http://www.oecd.org/document/45/0,3746,en_2649_37413_47526125_1_1_1_37413,00.html) (accessed 9 September 2011)
- Ravitch, D. (2010) *The Death and Life of the Great American School System*, New York: Basic Books
- Rogers, R. (2011) 'Why Philanthro-Policymaking Matters', *Society* 48: 376–81
- Ruesga, A. (2008) *Beige Philanthropy*, [http://postcards.typepad.com/white\\_telephone/2008/07/beige-philanthr.html](http://postcards.typepad.com/white_telephone/2008/07/beige-philanthr.html) (accessed 9 September 2011)
- Schambra, W. and Shaffer, K. (2011) 'Civil Society and Institutional Philanthropy', in M. Edwards (ed.), *The Oxford Handbook of Civil Society*, New York: Oxford University Press
- Shore, B. (2010) *The Imaginations of Unreasonable Men*, New York: Public Affairs
- Tierney, T. and Fleishman, J. (2011) *Give Smart: Philanthropy That Gets Results*, New York: Public Affairs
- Wade, R. (2003) *Governing the Market*, Princeton: Princeton University Press
- Wales, J. (2010) *From Liberia: Post-Conflict Philanthropy*, [www.huffingtonpost.com/jane-wales/from-liberia-post-conflic\\_b\\_477451.html](http://www.huffingtonpost.com/jane-wales/from-liberia-post-conflic_b_477451.html) (accessed 9 September 2011)