



The Role of Philanthropy in Economic Growth

Wednesday, May 4, 2010

8:00 AM – 9:15 AM

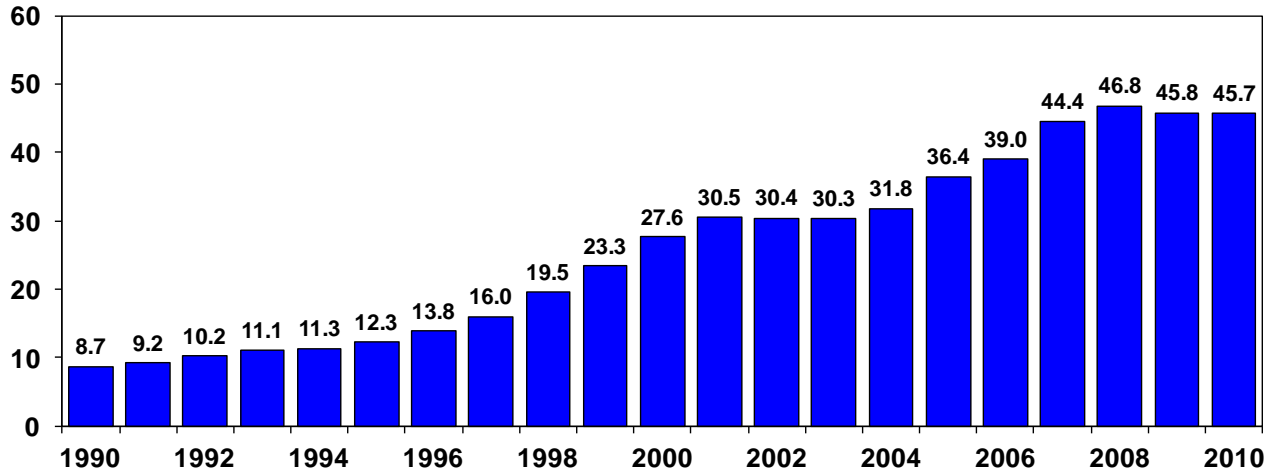
U.S. foundation giving

1990 – 2010



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US\$ billions



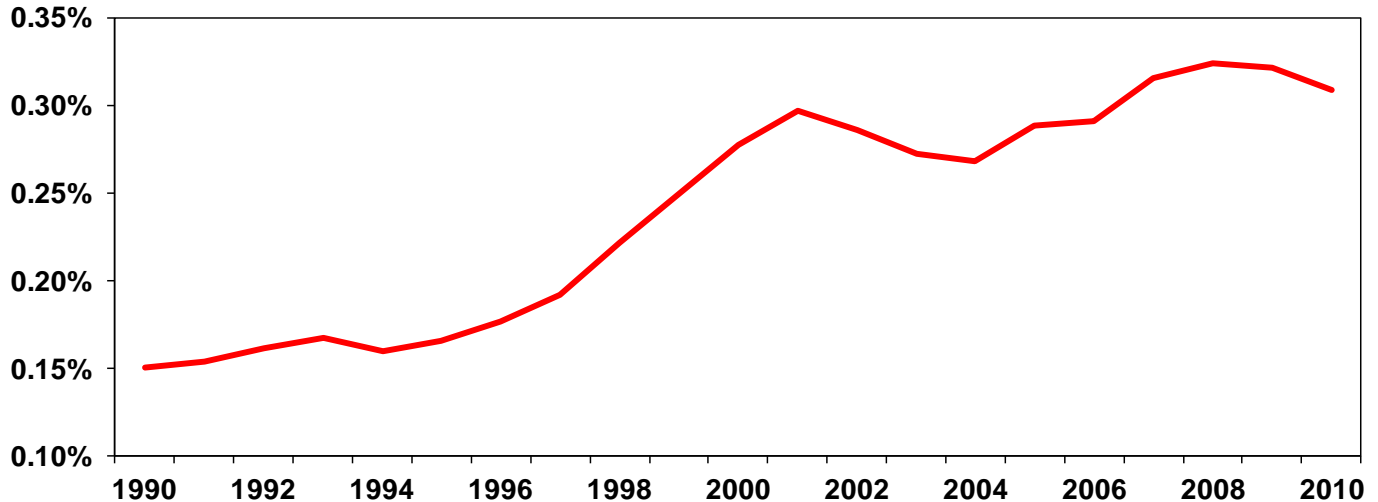
Total foundation giving as a percent of GDP

1990 – 2010



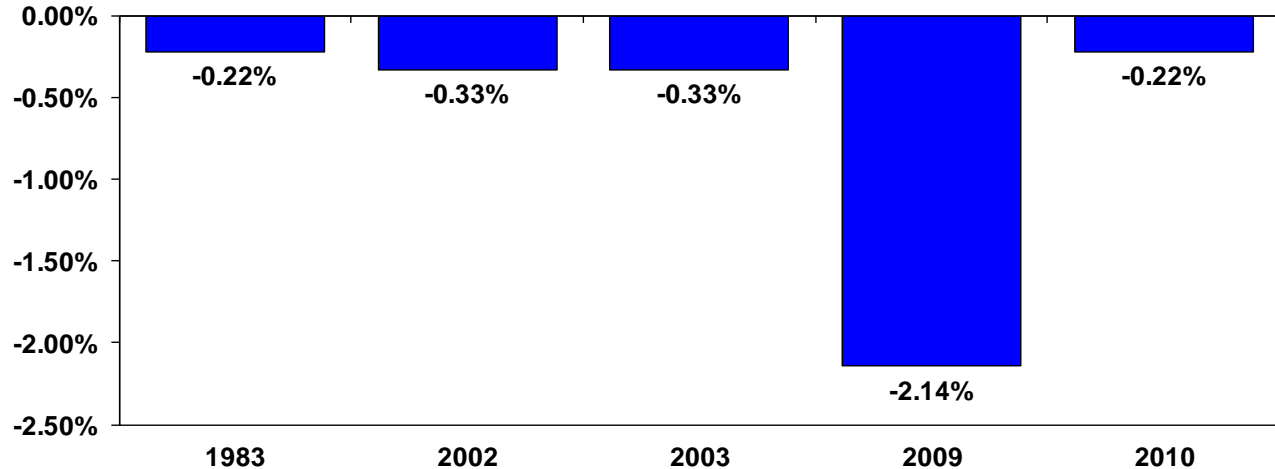
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Percentage



Foundation giving has declined in only five years since 1980

Annual percentage change in foundation giving



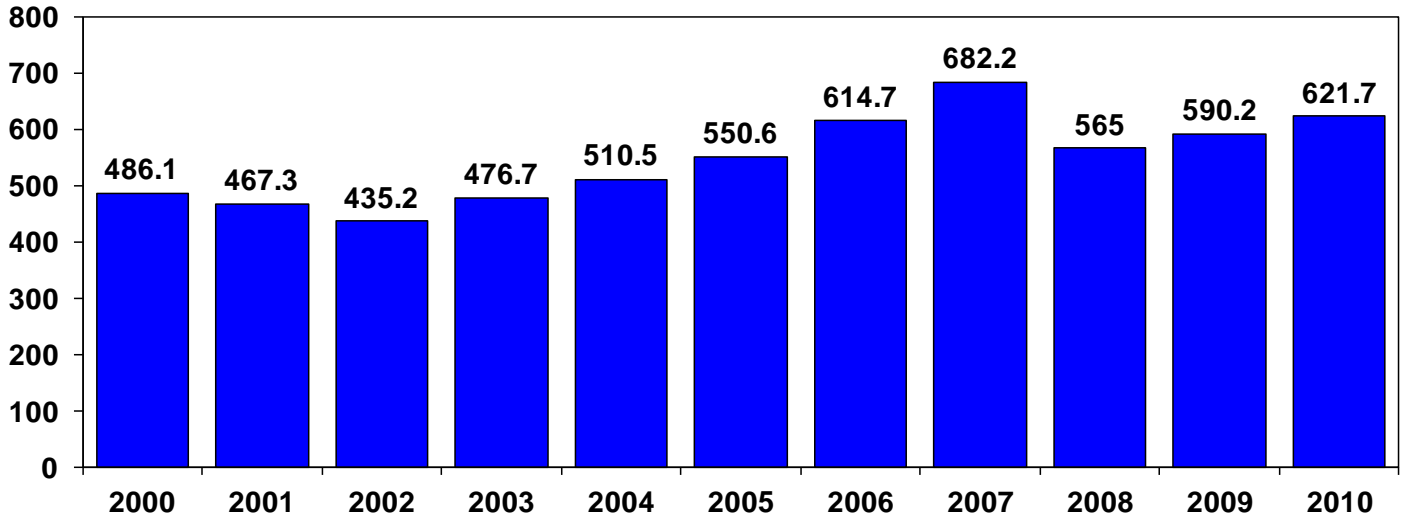
Foundation assets

2000–2010



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US\$ billions

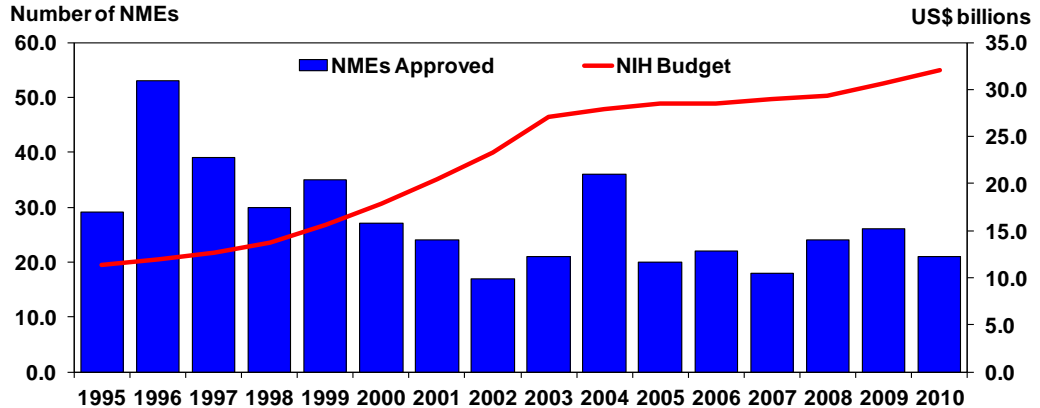


Higher investment yet lower productivity

An example from the medical field...



- New Molecular Entities (NMEs) discovery plummets while National Institute of Health investment doubles
- Demonstrates that increased funding does not necessarily mean improved results



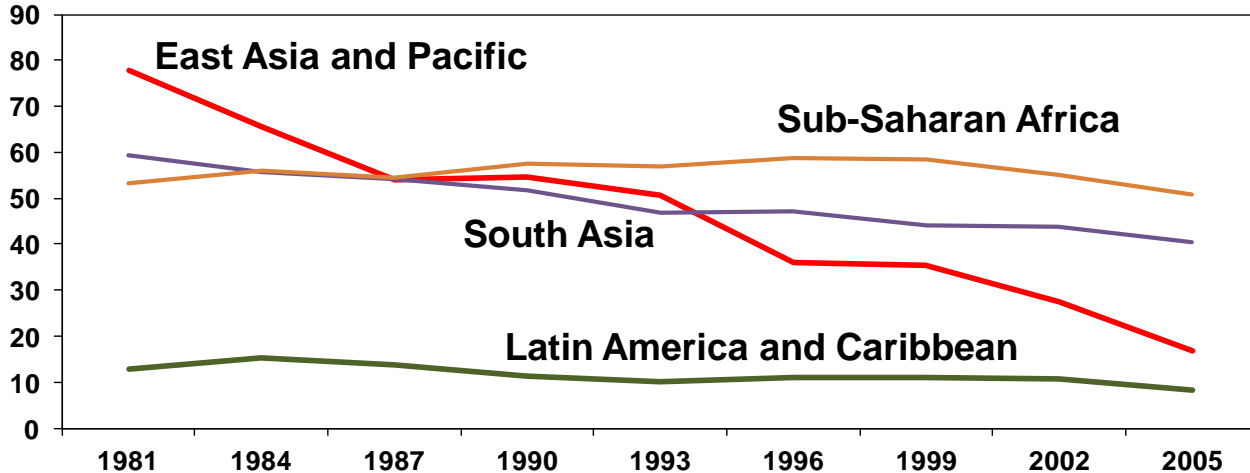
Poverty is still over 50% in Sub-Saharan Africa



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Percent of people living on less than 2005 PPP \$1.25 a day

Percentage



Case study: Poverty reduction

U.N. Millennium Development Goals



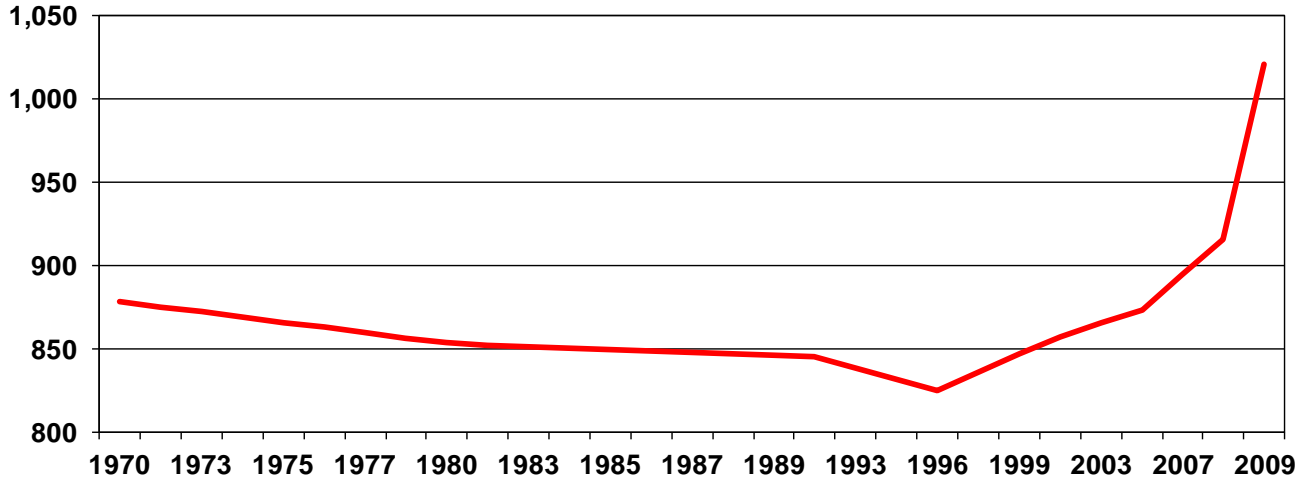
- Adopted by world leaders, committing their nations to reduce extreme poverty by 2015
- Eradicating extreme poverty and hunger is one of eight goals
 - Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day
 - Achieve full and productive employment and decent work for all, including women and young people
 - Halve, between 1990 and 2015, the proportion of people who suffer from hunger

Number of undernourished in the world



1969 - 2009

Millions of people



Case study: Food security

Gates Foundation Global Development Program: Agriculture



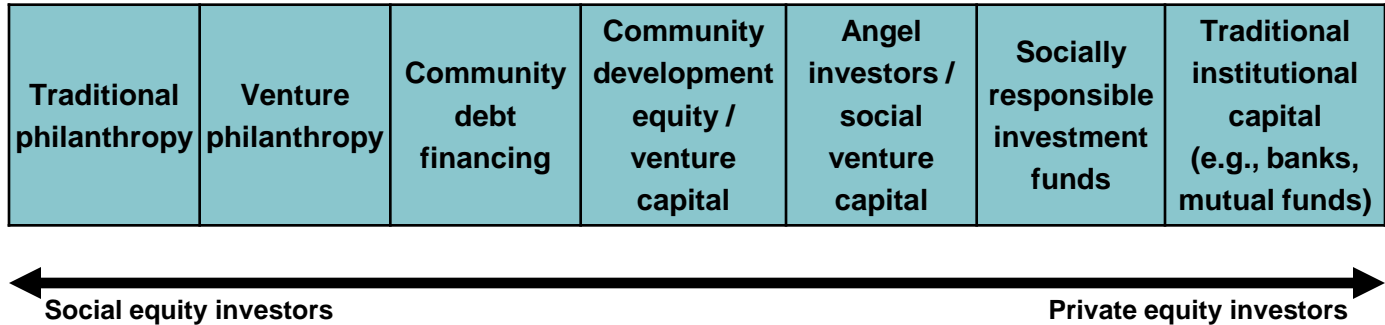
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Helping small farmers boost their productivity, increase their incomes, and build better lives for themselves and their families by improving...

- **Links to markets** – Selling crops increases farmers income but accessing markets can be challenging in rural areas
- **Farmer productivity** – Quality inputs such as seeds and training are required to ensure sufficient yield
- **Science and technology** – Developing crops that can grow in different soil types will improve productivity
- **Data, research and policy analysis** - Better information enriches all efforts to improve the plight of small farmers in developing countries

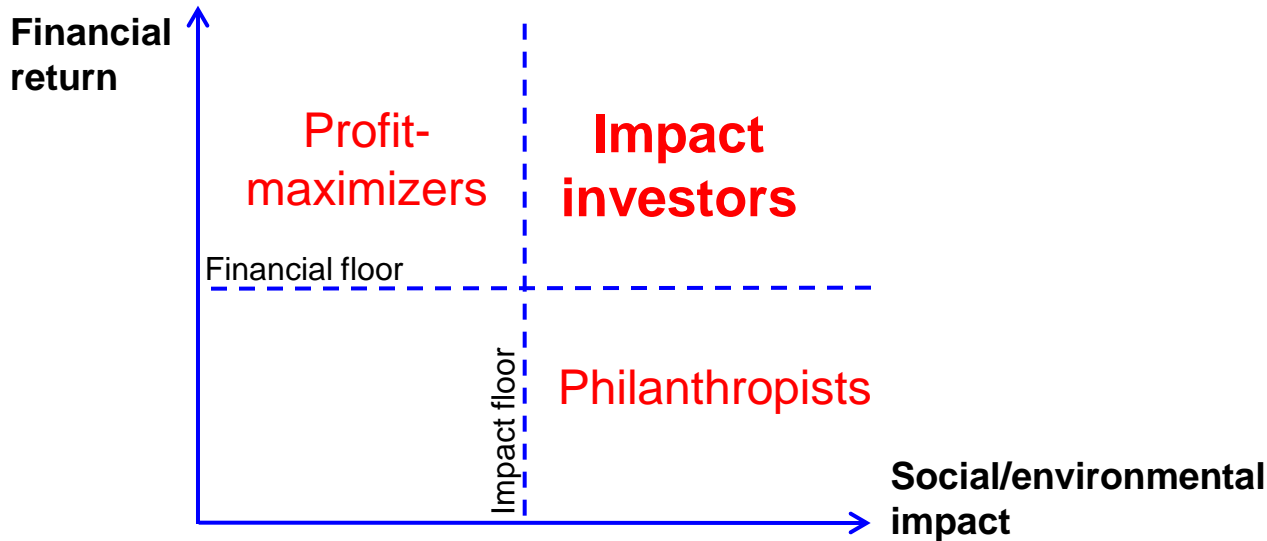


Spectrum of investors



Impact investing

Combining financial returns and impact



Range of investments for impact investing

Examples of impact investments across asset classes



FINANCIAL RISK & RETURN

Cash	Fixed income	Public equity	Alternative assets
<ul style="list-style-type: none">• Deposits in community development financial institutions	<ul style="list-style-type: none">• Qualified section 501(c)(3) bonds• Calvert Foundation Community Investment Notes	<ul style="list-style-type: none">• Positively screened mutual funds (e.g., U.S. Community Investing Index)	<ul style="list-style-type: none">• Community development venture capital funds• Urban real-estate funds

Philanthropy assessment metrics



Measuring operational performance and contribution to the field

Operational Process	Accountability <ul style="list-style-type: none">• Planning & monitoring• Milestones• Advisory Boards• Intellectual Property• Access & Delivery	Collaboration <ul style="list-style-type: none">• Industry Partnerships• Knowledge-Sharing• Team Science• Global Research
	Research Effectiveness <ul style="list-style-type: none">• Scientific Advancement• Knowledge Production• Portfolio Congruence• Pipeline Profile	Resource Building <ul style="list-style-type: none">• Tools / Resources Dev.• Research Training• Patient Organization• Clinical Trials Networks
Field Contribution		

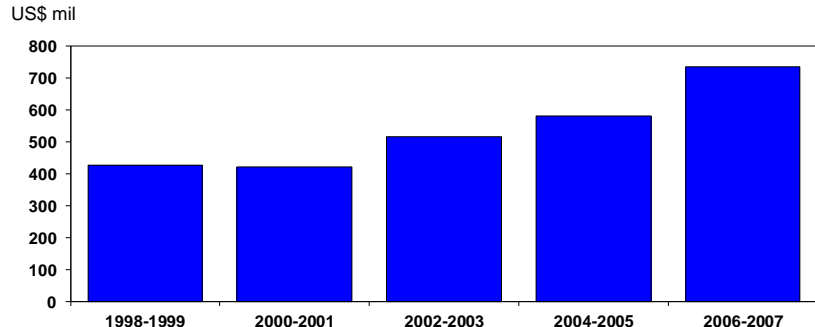
Program-related investing (PRI)

Investments by foundations to accomplish their goals



- Like grants, PRIs are vehicles for making inexpensive capital available to organizations that are addressing social or environmental concerns.
- Unlike grants, PRIs are expected to be repaid, often with at least a modest rate of return. Once repaid, PRIs are reused for other charitable purposes.

Change in PRI financing



Venture philanthropy



Applying venture capital strategies and resources to charitable giving

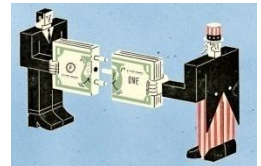
- “Involved grantmaking”
 - Long-term donor investments that benefit recipient organizations beyond the funding itself.
 - e.g. venture philanthropists often sit on grantee boards of directors or provide strategic consulting.
- Venture philanthropists make multi-year investments in a small number of organizations
 - Ultimate focus is on building grantees’ organizational capacity and long-term financial sustainability.

Public-Private partnerships



An arrangement to increase total funding or enable further funding

- The Government and private grant makers co-invest to promote socially beneficial causes.
- Example
 - The Open Society Institute and Soros Foundations Network gave \$35 million to New York state to help fund a cash payment to poor families with school-age children.
 - Qualifying families in New York got \$200 each after Mr. Soros's gift enabled Albany to receive \$140 million in matching federal funds, part of the federal stimulus bill, which otherwise wouldn't have been available.



Microfinance

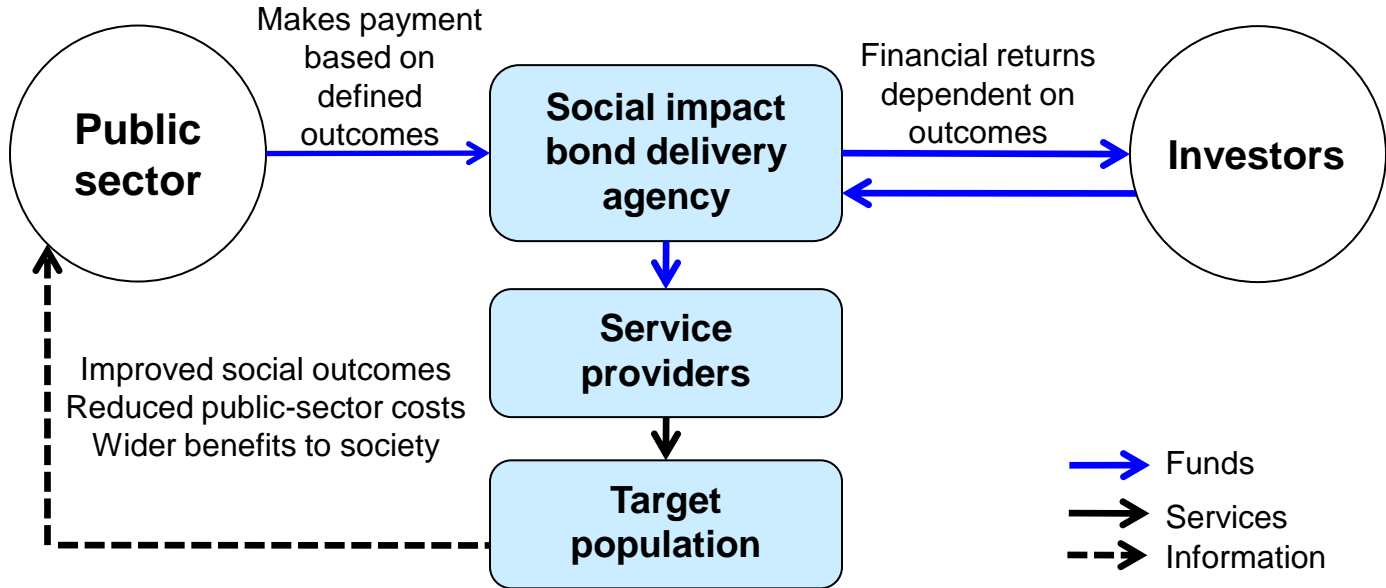
Definition



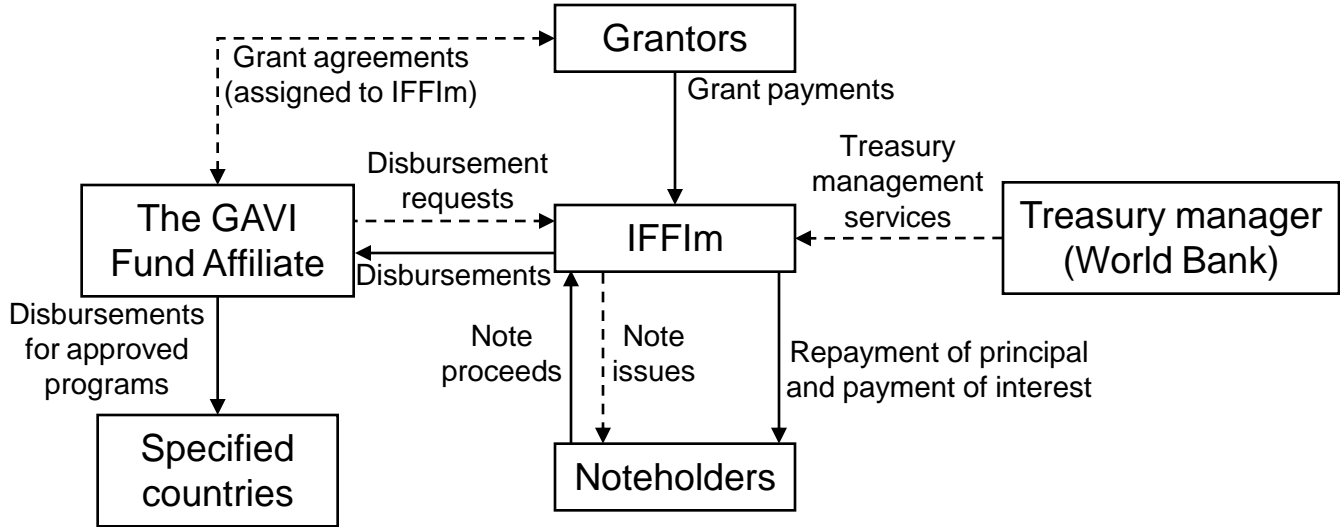
Provision of banking services by poverty-focused financial institutions (microfinance institutions) to poor parts of the population that are not being served by mainstream financial services providers



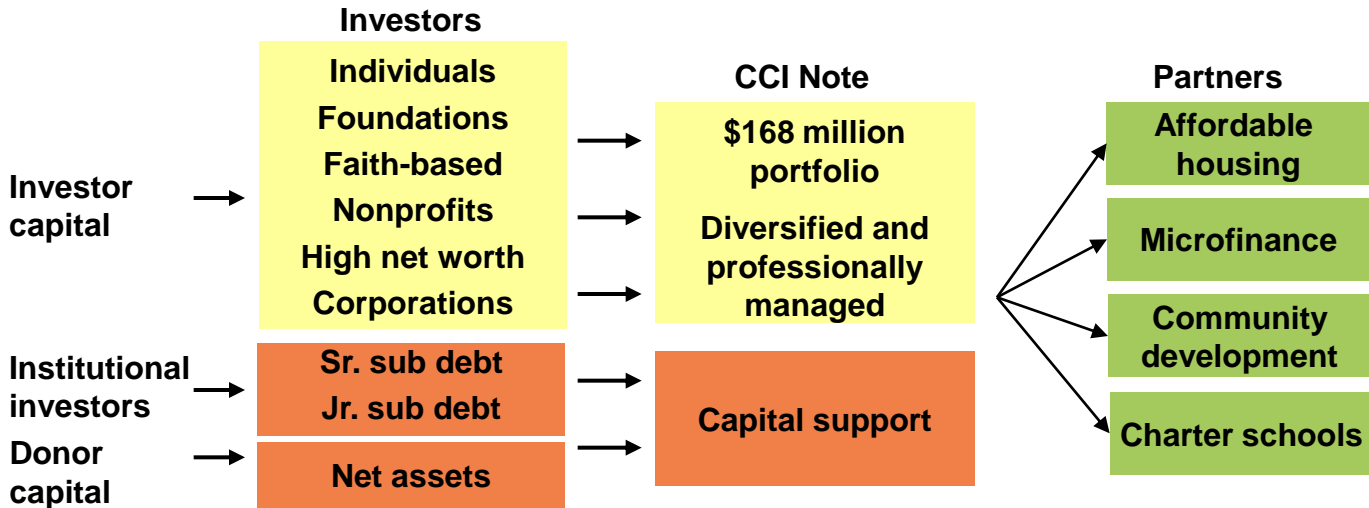
Social impact bonds



International Finance Facility for Immunisation (IFFIm)



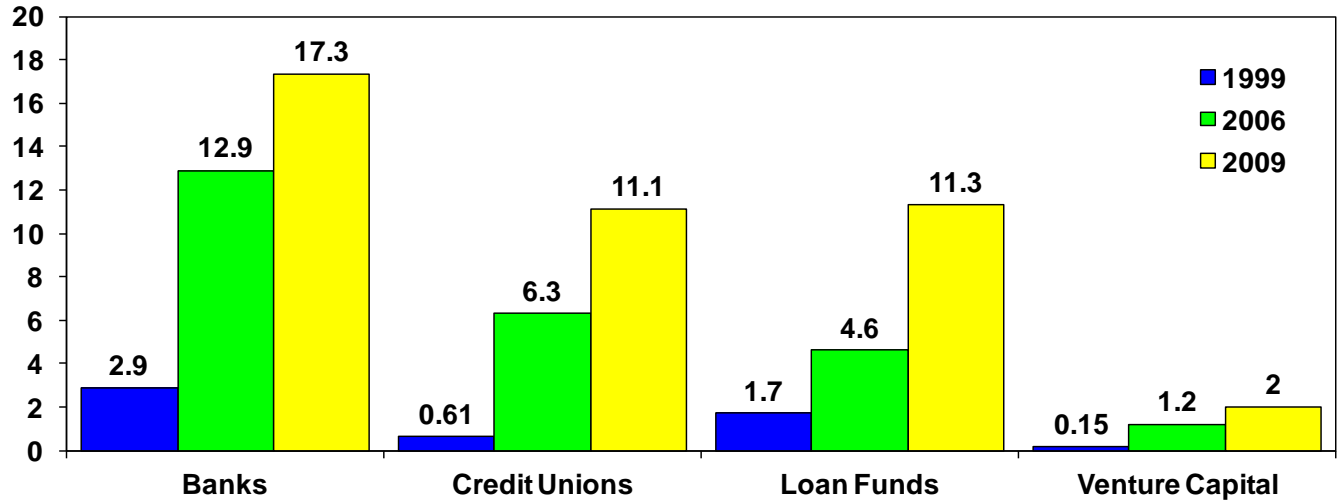
Calvert Community Investment Note model (CCI)





Growth of community investing

US\$ billions



Making philanthropy count

Sustainability and scalability of philanthropy efforts



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- Social entrepreneurship
 - Unifying business principals with social ventures
- Microfinance
 - Rather than donations to social ventures, have recipients use funding in an effective manner so that they can repay the funding
- Leveraging resources
 - Providing financial backing to help secure further funding / credit



Innovative financial tools

Creative ways to make philanthropy more effective



Leveraging a foundation's balance sheet to secure financing:

- Credit Support Agreements
 - The Gates Foundation provided a \$30m agreement to secure \$300m in charter school facility financing (2009)
 - First time a private foundation has backed charter school facility bonds at this scale.
- Low-interest Loans
- Loan Guarantees
- Equity Investments by a nonprofit

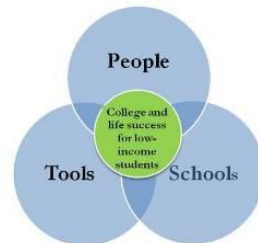


Social entrepreneurship

Education sector examples

NewSchools Venture Fund

- Discover, incubate, and grow high-performing organizations that are developing new ways of supporting outstanding education leaders.
- Has three funds, launching a fourth to invest \$100 million over the next four years
 - Investments in 35 nonprofit and for-profit organizations



Charter School Growth Fund

- Invests philanthropic venture capital in the nation's highest performing charter school operators to dramatically expand their impact on underserved students.
- "Performance" is based on both academic achievement and growth (ability to create seats to meet needs)



Social entrepreneurship

Tackling inner city poverty



Robin Hood Group

- Targeting poverty in New York City
- Private investment style approach
 - 100% (give all donations to programs)
 - Attack the source (identity and target roots of problems)
 - Add value (helping programs become more effective)
 - Get results (evaluation and monitoring)



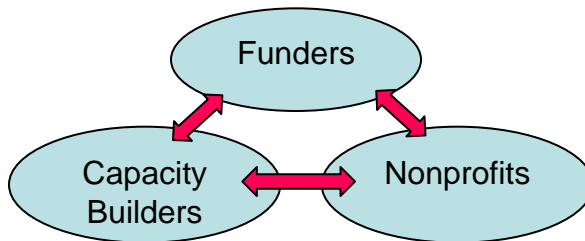
55 percent
of babies in NYC are
born into poverty.

The philanthropy eco-system

How funders, capacity builders and nonprofits work together

A study by the TCC Group commissioned by the Weingart Foundation uncovered the following key findings:

- Nonprofits are able but fall short on areas such as Program evaluation and strategic learning; Board leadership development; Financial management
- Capacity builders are “disjointed” and “fragmented” and struggle with self-sustainability
- Funders indicated improved capacity building as key



Role reversal

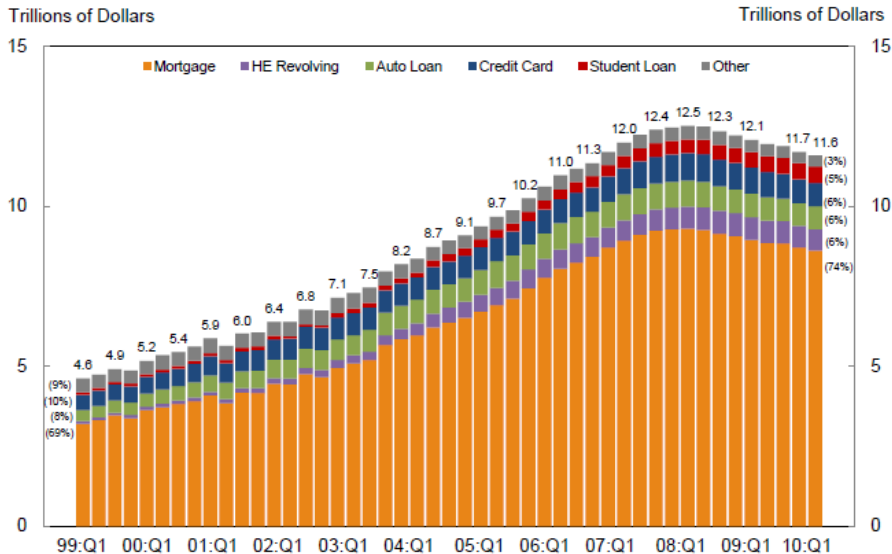
The role of economic growth in philanthropy



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- Household debt is equal to 80% of national GDP
- **Growth essential** to social problems
- Low growth means the whole “philanthropy pie” will shrink
- It also means there will be greater demand for solutions to social problems

Total household debt balance and its composition



Learning from Wall Street

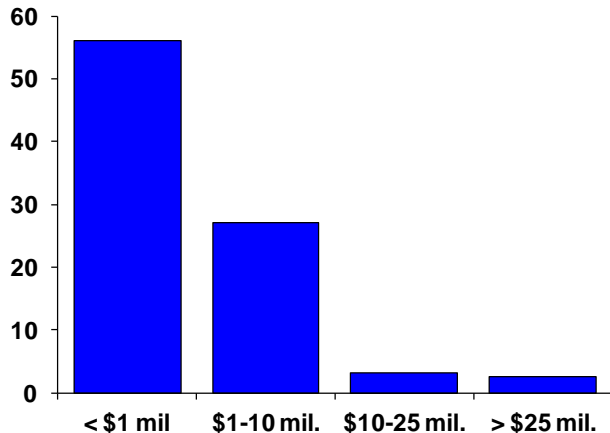


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Could foundation "M&A" improve philanthropy effectiveness?

Foundations by total asset level*

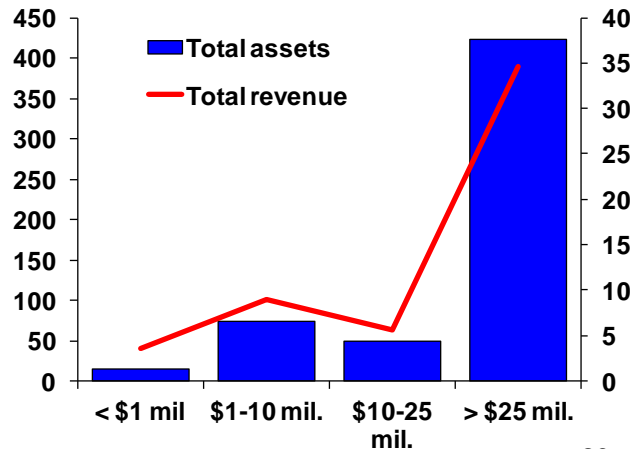
Number of foundations (thousands)



Foundations assets and revenue by total asset level*

Assets US\$ billions

Revenue US\$ billions



*Foundations with 990-PFs only
Source: National Center for Charitable Statistics.



Slides from Carl Schramm

Philanthropic giving in 2010



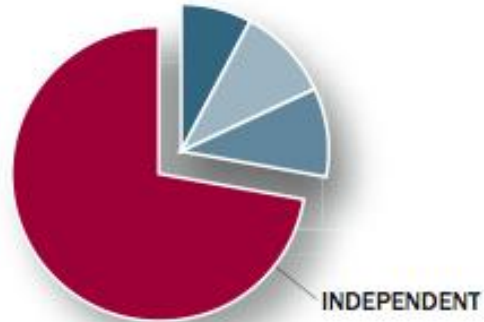
INDEPENDENT FOUNDATIONS

\$32.5 billion

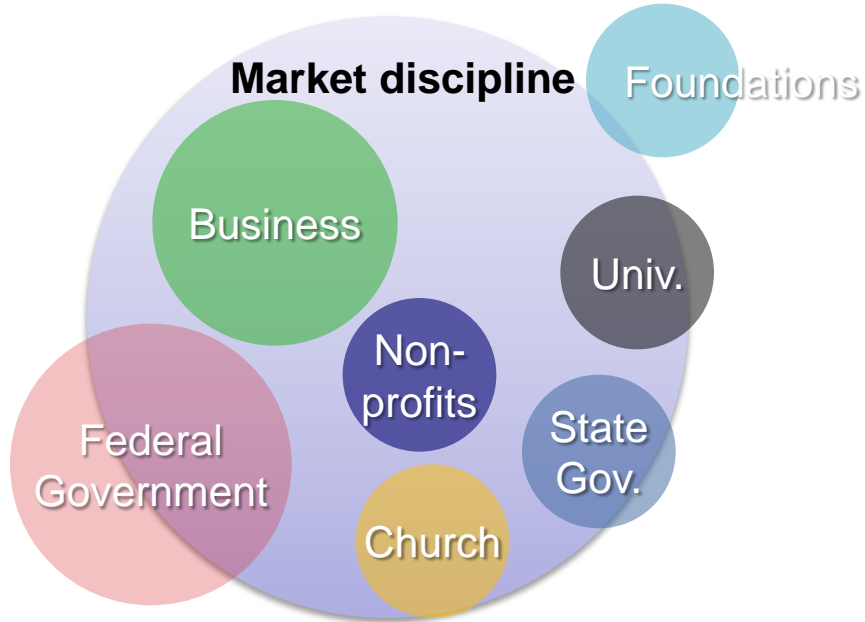
Estimated giving by independent foundations in 2010

-0.8 percent

Estimated change in giving between 2009 and 2010



Foundations are “out-market” organizations



Social utility of the private foundation



...the private foundation, an institution of democratic capitalism, exists to strengthen and facilitate the mutually supporting systems of democratic pluralism and a free-market economy.

—Law Outside the Market,
Harvard Journal of Law & Public Policy, 2006