

**PRESENTATION: Philanthropy as a development actor: influence and implications**

**SLIDE 1**

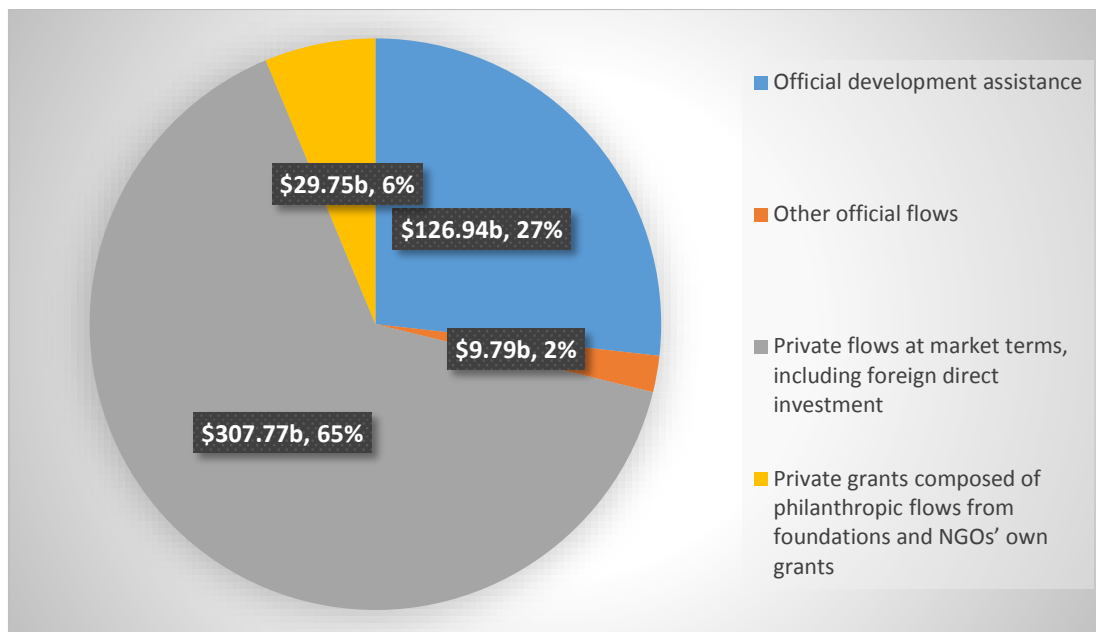
**Philanthropy as a development actor: influence and implications**



*Source: <http://blakerubin.org/>*

## SLIDE 2

### **Philanthropy: A small [but not insignificant] slice of the external finance pie in 2012**



Total net resource flows from DAC donors to developing countries, 2012 (net disbursements, \$ billion)

Source: OECD (2014), "Detailed aid statistics: Official and private flows", *OECD International Development Statistics* (database), <http://dx.doi.org/10.1787/data-00072-en>.

- 1. Definitions of Foundations – institutions with an independent source of income that engage in organized giving to improve people’s lives (OECD).**
- 2. Increasing emergence of philanthropic foundations as development actors over the last decade**
  - a. from US\$3 billion in 2003 to about US\$30 billion in 2012 (Other sources suggest this figure could be considerably higher – ie the Hudson Institute)**
  - b. 6% of all private flows from developed to developing countries in 2012.**
- 3. 32 Foundations contributing 16% of the World Health Organisation’s budget in 2016.<sup>1</sup>**
  - a. Active across other sectors too - education, environment, food security etc.**
- 4. What does this increased engagement mean for the international development community (including governments)?**

<sup>1</sup> Specialist Health Services, *Philanthropic foundations’ contributions to international health multilateral organisations*, unpublished report commissioned by DFAT, 27 June 2016. Available on request.

### **SLIDE 3**

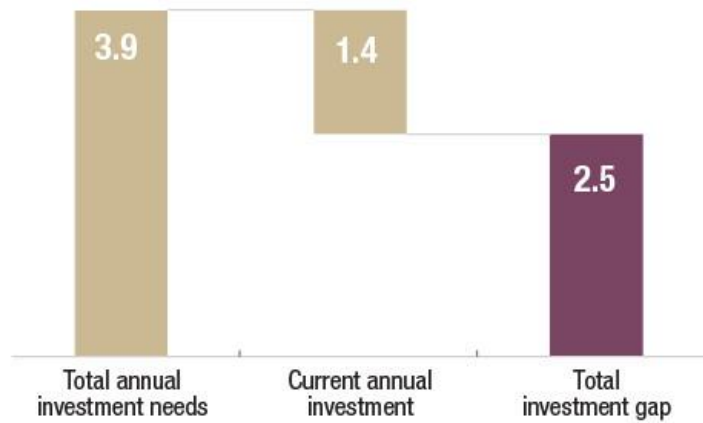
#### **PHILANTHROPIC FOUNDATIONS' CHARACTERISTICS**

- 1. Appetite - risk and innovation**
- 2. Skills - business expertise and market knowledge**
- 3. Influence – political and commercial**

- 5. While some issues around transparency and accountability, there are potentially a number of benefits of engaging with philanthropic foundations, to leverage their:**
  - a. Appetite for risk and innovation**
  - b. Understanding of commercial markets, and the financial and non-financial tools available to leverage resources for maximum impact**
  - c. Influence – political and commercial networks to help shape policy and market environments, to draw in resources.**
- 6. These characteristics are particularly important in the context of the 2030 Agenda and the Sustainable Development Goals – good foundation for partnership – shared goals.**

## **SLIDE 4**

**Estimated investment gap in key SDG sectors, 2015-30**  
Trillions of USD, annual average



Source: UNCTAD (2014), *World Investment Report 2014: Investing in the SDGs: An Action Plan*, United Nations Conference on Trade and Investment, Geneva, [http://unctad.org/en/PublicationsLibrary/wir2014\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf)

- 7. But – there is a US\$2.5 trillion SDG investment gap**
  - a. investments required to achieve the SDGs vs. current annual investments in developing countries.**
- 8. On this basis - consensus by international community stakeholders that we need to involve all actors – public and private – to deliver on the SDGs.**
- 9. Philanthropists are also recognized as having a considerable role to play (OECD reports 2014-16)**

## **SLIDE 5**

### **Largest philanthropic contributors to SDGs 2010-13<sup>2</sup>**

<b>Foundation</b>	<b>Contribution (US\$ billions)</b>
Bill & Melinda Gates Foundation	\$12.44
Ford Foundation	\$1.82
The Susan Thompson Buffett Foundation	\$1.36
Walton Family Foundation, Inc.	\$1.36
The Robert Wood Johnson Foundation	\$1.25
Nationale Postcode Loterij	\$1.11
Vanguard Charitable Endowment Program <sup>3</sup>	\$1.09
W. K. Kellogg Foundation	\$1.09
Foundation to Promote Open Society	\$0.96
Gordon and Betty Moore Foundation	\$0.93

Source: <http://sdgfunders.org/sdgs/>

- 10. Unlike ODA, Philanthropic Data is fragmented – no central repository.**
  - a. estimated 200,000 Foundations worldwide**
  - b. over 100,000 in the United States alone – about US\$650 billion**
  - c. over 3000 in Australia – endowments >A\$4 billion.**
- 11. Note dominance of US Foundations – except the Dutch Postcode Lottery**
- 12. Others big names not listed include Bloomberg, Rockefeller, Packard; Hewlett; MacArthur; Chuck Feeney’s Atlantic Philanthropies; Carlos Slim; King Sulaiman bin Abdul Aziz Al Rajhi.**
- 13. Significant contributions, but just a small portion of the SDG finance gap.**

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<sup>2</sup> Source: [sdgfunders.org](http://sdgfunders.org) supports UNDP’s SDG Philanthropy Platform, which tracks financing and implementation of the Sustainable Development Goals

<sup>3</sup> The Vanguard Charitable Endowment Program is an independent public charity offering a donor-advised fund which utilizes [Vanguard mutual funds](#) as investment options. Source: [https://www.bogleheads.org/wiki/Vanguard\\_Charitable\\_Endowment\\_Program](https://www.bogleheads.org/wiki/Vanguard_Charitable_Endowment_Program) accessed on 10/01/17

## SLIDE 6



### **CREATING SHARED VALUE THROUGH PARTNERSHIP: Ministerial Statement on Engaging the Private Sector in Aid and Development (2015):**

“Experience demonstrates that philanthropic foundations... will be key to our collaboration with the private sector. Globally, businesses are seeking to access the specific capabilities of these groups to support their social impact and sustainability work.”

- 14. The Australian government has recognized for several years the need to harness all resources to address the world’s development needs.**
- 15. In 2014 Australia’s Foreign Minister Julie Bishop announced a *new aid paradigm*, which highlighted the benefits of partnering with the private sector to achieve *shared value* outcomes – social as well as financial benefits.**
- 16. The subsequent Ministerial Statement on engaging the private sector in aid and development (2015) highlighted philanthropy’s role in this.**

## **SLIDE 7**



Source: <https://innovationxchange.dfat.gov.au/project/better-data-health-partnership>

- 17. Subsequently, the Australian Government through DFAT’s innovationXchange, entered into a US\$100 million partnership with Bloomberg Philanthropies Data for Health initiative**
  - a. Australia’s contribution was A\$20 million (about US\$15 million)**
  - b. This initiative leverages Bloomberg’s global reach and its data analytics expertise to enable better data collection and analysis.**
  - c. Will help up to 20 low and middle income countries improve public health data collection so they can better target health spending**
  - d. Uses mobile phones to collect health data, cuts down on time**
- 18. This effort is an example of how the Foundation’s link to commercial enterprise can be beneficial in maximizing effectiveness.**
- 19. In that vein, the term *philanthrocapitalism* was coined<sup>4</sup> to describe how Philanthropists leverage private sector knowledge, understanding of markets and commercial tools to achieve larger scale, sustainable results.**
  - a. Mixes financial instruments such as grants, guarantees, equity and loans.**

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<sup>4</sup> The Economist, The birth of philanthrocapitalism, 23/02/2006 available at <http://www.economist.com/node/5517656>



## **SLIDE 8**

The Gates Foundation: “We guaranteed that we would compensate the company if it could not sell a certain volume of pentavalent vaccine over a five-year period. This led the company to expand production of the vaccine and sell it significantly below the market price at the time.”<sup>5</sup>



Source: <https://www.statnews.com/2016/10/27/strategies-collaboration-global-health/>

- 20. The Gates Foundation uses guarantees to increase availability of a range of vaccines in developing countries.**
- 21. Pentavalent guards against a number of deadly diseases – tetanus, hepatitis B, whooping cough – and is now available more widely than any other vaccine.**

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<sup>5</sup> Natalie Revelle, *Smart Strategies and Collaboration can Help Improve Global Health*, Stat News, 27/10/16 available at <https://www.statnews.com/2016/10/27/strategies-collaboration-global-health/>



## SLIDE 9



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Source: <http://www.bridgeinternationalacademies.com/>

22. **Some philanthropic organisations are now establishing commercial structures to help achieve their philanthropic objectives.**
23. **The Omidyar Network (E-bay founder) has two arms – a traditional charitable foundation, and a commercial company to for impact investing activities.**
24. **An early investment from Omidyar meant Bridges Bridges International Academies were able to prove their business model and attract other investors.**
25. **Bridges now serves more than 100,000 students in pre- and primary schools across Africa, with expansion to Asia soon.**
26. **In Australia – Ramsay Foundation primary beneficiary of more controlling interest and more than A\$3 billion of shares in Ramsay Health Care – hospitals in Australia and internationally.**
27. **Ross Trust, Adara Development are other examples where business revenues fund a charitable foundation.**

## SLIDE 10



“We must participate in policy and advocacy to shape debates. Many institutions are unwilling to do this, but progress must be supported by movements to be sustainable.”

<https://www.cnet.com/news/chan-zuckerberg-initiative-invests-3-billion-to-cure-all-diseases/>

28. The recently announced Chan Zuckerberg Initiative (CZI) has the same two arms
  - a. Foundation, and
  - b. Commercial company - allows them to lobby directly for public policy changes, including through legislative reforms, and through funding political campaigns.
29. CZI recently appointed a couple of very senior figures from both sides of politics in the US – former presidential advisers and campaign managers (Plouffe and Mehlmann).
30. Another example of public influence – Rockefeller Foundation is in a confrontation with Exxon (formerly Standard Oil, the source of Rockefeller’s original endowment) over support for misrepresentation of climate science.<sup>6</sup>

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<sup>6</sup> See <http://www.nybooks.com/articles/2016/12/08/the-rockefeller-family-fund-vs-exxon/>

## SLIDE 11



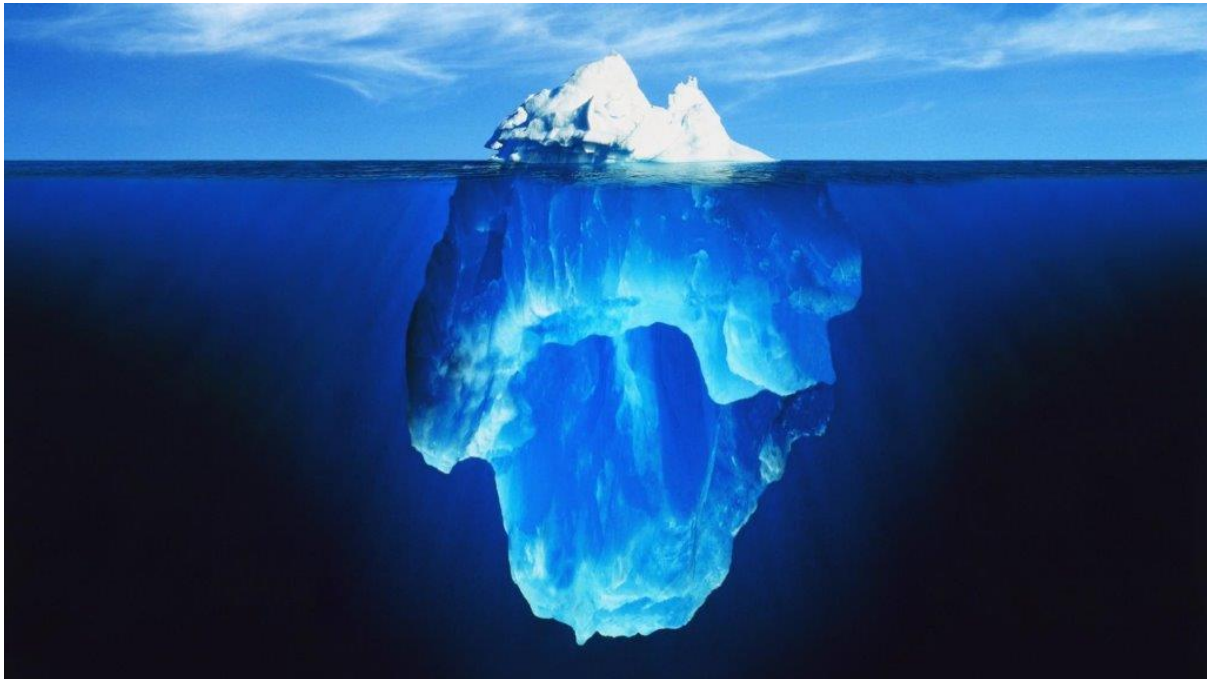
Source: <https://thailandinvestmentforum.com/tag/breakthrough-energy-coalition/>

31. **The US\$2.5 trillion SDG investment gap appears enormous, but amounts to just over one percent (1.1%) of the value of global capital markets controlled by the private sector, estimated at \$218 trillion.<sup>7</sup>**
32. **Leveraging both the political and private sector networks of philanthropic actors is critical.**
33. **At the Paris Commission of Parties September 2015, President Obama, on stage with Bill Gates, announced Mission Innovation, asking governments double their spending on renewable energy research by 2020 (Australia is a member).**
34. **Bill Gates announced the Breakthrough Energy Coalition at the same time**
  - a. **a group of billionaire philanthropists and venture capitalists with a net worth of \$170 billion**
  - b. **who committed to invest in clean energy opportunities emerging from Mission Innovation initiatives.**

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<sup>7</sup> Sachs, J (2014), *Financing Sustainable Development: Implementing the SDGs through Effective Investment Strategies and Partnerships*, United Nations Sustainable Development Solutions Network, available at [http://unsdsn.org/Ep-content/uploads/2014/11/Full-FSD-draft-for-public-consultation\\_clean.pdf](http://unsdsn.org/Ep-content/uploads/2014/11/Full-FSD-draft-for-public-consultation_clean.pdf).

## **SLIDE 12**



Source: <http://aasi.tk/iceberg/>

- 35. In conclusion, with 200,000 foundations worldwide, and growing...**
- 36. Current philanthropic engagement in international development is potentially just the tip of the iceberg.**
- 37. Engaging more closely may help shape an environment that unlocks the resources needed to close the \$2.5 trillion financing gap – particularly engaging the private sector.**
- 38. Philanthropic foundations offer risk appetite, business skills and influence**
- 39. We can offer development knowledge, insights into and influence in state-based policy processes and forums, and convening power.**
- 40. There is room for dedicated donor-philanthropy forums to learn from one another, promote coordination and explore partnership potential.**
  - a. OECD's Network for Foundations**
  - b. UNDP's SDG Philanthropy Platform**
  - c. Various business coalitions for sustainable development and the SDGs**
- 41. Individual bilateral donors currently engage with Foundations in an ad hoc manner, but are looking at more coordinated approaches and considering the benefits of engaging in such forums, or establishing their own forums.**
- 42. In Australia's case, we continue to monitor developments within these existing groups, with an eye to opportunities for partnership.**

- 43. We also continue to work closely with partners such as Bloomberg, and to deepen our relationship with the Gates Foundation to guide our significant engagements in health, food security, and women and girls empowerment.**
- 44. We partner with Mastercard in our Business Partnerships Platform, which matches funding from business for projects that support commercial objectives whilst advancing Australia's aid investment priorities.**
- 45. We are also exploring with Australia's philanthropy community the potential to engage more closely.**
- 46. To wrap up, Foundations are not just passive development actors. They want to be engaged and involved in solving problems. The international development community should welcome their**
  - a. Appetite for risk and innovation**
  - b. Private sector expertise**
  - c. Influence – access to political and business networks to help shape policy and market environments.**
- 47. In this way, we can build new partnerships – particularly including with the private sector – to help shape an environment that unlocks the resources needed to achieve the SDGs.**