Philanthropy Impact
Magazine

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Issue 4: WINTER 2013

The Challenges of Philanthropy

This year time seems to have disappeared at warp speed as we have reached Issue 4: December 2013! Our aim has been to present our readers with a depth and breadth of articles and information on and about philanthropy that generates vigorous international debate.

Since our first issue you, our readers and authors, have provided such positive feedback and we hope you this ‘bumper issue’ to your liking.

This edition opens with David Gold discussing the ‘dark side’ of philanthropy. 2013 saw social investment became the ‘hot’ topic, and in this issue we feature the *UK deal of the year*, and Arthur Wood *the role of social investment in building resilience to natural disaster*.

This issue also takes a deep dive into philosophical world of philanthropy. Michael Green explores the pros and cons of endowment and spend out foundations, Amy Schiller asks *can billionaire philanthropists save the world?*, and Russell Willis Taylor wonders if *brand philanthropy* is distorting the very essence of giving.

Muslim philanthropy is increasingly being discussed. We offer a brief historical overview and ten key points, as well as case studies from the Maldives and Pakistan.

We also consider the role of philanthropy in tackling poverty. Paul Polak and Mal Warwick believe that *giving can’t save the world*, whilst the article Cash to the Poor: Pennies from Heaven describes how conditional and unconditional cash transfers are being used: there is no magic bullet.

As you know, advisors play an exceptionally important role in philanthropy and in a wake up call for advisers Jim Coutre offers a summary of the latest American research and Emma Turner, from the UK, muses on why philanthropy advisory services have not grown as fast as was expected. Steve Martin, our empiricist for this issue, looks at *what number of messages produces the most persuasive appeal*: works for any industry.

Kurt Hoffman’s final article in our Hoffman’s Challenge series, does not disappoint, as he proposes that doing better through innovation is the best route for civil society to do the most good.

On behalf of Philanthropy Impact, it has been a pleasure creating Philanthropy Impact Magazine and we hope you find this issue interesting and thought-provoking because we have enjoyed compiling it.

Why not tell us what do you think? Or, propose an idea for an article? We would love to hear from you, email editor@philanthropy-impact.org

Wishing you all the very best for this festive holiday season

Sue and Michael

Philanthropy Impact, launched in December 2013 following the incorporation of Philanthropy UK, the European Association for Philanthropy and Giving (EAPG) and the Philanthropy Advisors Forum. For more information see www.philanthropy-impact.org

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The purpose of the magazine is to share information about philanthropy in a domestic and international context. We welcome articles, letters and other forms of contribution in Philanthropy Impact Magazine, and we reserve the right to amend them.

Please contact the Editor at editor@philanthropy-impact.org

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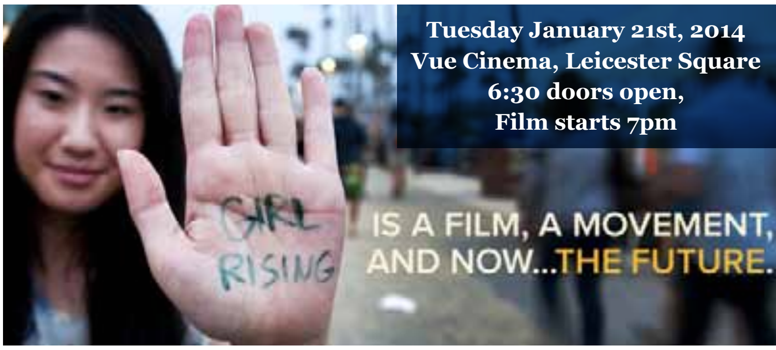
Girl Rising:
One Girl with Courage is a Revolution

Girl Rising is a groundbreaking feature film about the strength of the human spirit and the power of education to transform societies. The film, from academy award nominated Director *Richard Robbins* and Executive Producer *Holly Gordon*, presents the stories of remarkable girls around the world, told by celebrated writers and voiced by renowned actors.



Around the world, millions of girls face barriers to education that boys do not. And yet, when you educate a girl, you can break cycles of poverty in just one generation. Removing barriers to girls' education – such as early and forced marriage, domestic slavery, sex trafficking, gender violence and discrimination, lack of access to healthcare and school fees – means not only a better life for girls, but a safer, healthier, and more prosperous world for all. The impact affects future generations – of both boys and girls.

- **66 million girls are out of school globally.**
- **There are 33 million fewer girls than boys in primary school.**

The simple fact is that there is no one more vulnerable than a girl.

- **In one year 150 million girls are victims of sexual violence.**
- **50% of all sexual assaults are on girls less than 15 year of age.**
- **80% of human trafficking victims are women and girls.**

Girls who go to school see immediate benefits beyond what they learn in the classroom. Education opens doors, enhances status, improves health and safety. In the developing world, when parents have to choose, they usually choose to educate a boy. So girls have less opportunity and less freedom. Girls suffer more hunger and disease and are used for slavery and human trafficking.

The risk of sexual assault is one reason that parents keep their girls at home or marry them off young.

- **Girls with 8 years of education are 4x less likely to be married when they are children.**
- **A child born to a literate mother is 50% more likely to survive past the age of 5.**
- **Educated mothers are more than twice as likely to send their children to school.**

Even though it is a great investment, of the 600 million girls in the developing world, fewer than one in two will make it to secondary school. Girls need good schools – educated girls are a powerful force for change and the change happens fast!

When people talk about "investing in girls" they often mean philanthropy and advocacy. But there is also a growing movment to look at impact investing towards girls – investing in companies and social enterprises, as well as loans to charities, which are both financially viable and positively affect the lives of girls.

Your philanthropy can make a difference towards girls education, and outcomes for girls and communities. You might be funding an organisation that supports the girl who solves a local or global issue. Or becomes the next president or prime minister of her country. Your personal engagement can make a difference in advocacy, policy, media, and more. Your impact investment can be targeted towards companies and products and services that empower girls.

Please join us on Tuesday January 21st, 2014 Vue Cinema Leicester Square and spread the word. Tickets only through EventBrite at

https://girlrisinguk.eventbrite.co.uk

"The documentary every mother, sister, daughter should see as well as the men who love and support them"
Entertainment Weekly

Beware The Dark Side of Philanthropy

by **David Gold**

So you've decided that you really can't spend it all, so why not get into this philanthropy game; it sounds fun and you can join a new club. Well, you are right. It is fun and along the way you can fundamentally change lives for the better, often at a price that seems impossibly low. And of course, the learning is fantastic.

Then you start to meet people and organisations and generally most "first time" philanthropists are "blown away" by what people achieve in the changing the world space. However, you worked hard to earn your money and it seems right and proper to ask some searching questions and that is the right way to go; but this is where a well intentioned activity can become a little grey, possibly even a little dark.

Your question, whatever its nature, is often given a little too much weight and credibility by the charity. The surprising reaction can be – "that's an excellent question," "your insightful inquiry is very helpful." Now although we all have relevant life and work experiences, to be able to immediately translate the experience of say running a chain of garages, a department of a bank or a travel business to the subjects of poverty and exclusion does not make sense. It does not qualify you to be knowledgeable on the subject of small children and reading skills or exclusion on a run down housing estate. However, your questions are not necessarily wrong, or indeed uninsightful; just be aware that they may not be as brilliant as you are told.

So why are you accorded such commendation? The answer is easy and a little crude; essentially it's to keep "the money sweet!" Is this corrupt? Not in the slightest; when you started your business, what would you do for those angel investors, or bankers to invest? Would you find them smart and agreeable? Probably. Hey, it's human nature. Nobody is at fault; it's a kind of weak unwritten contract that nobody acknowledges.

However there is redemption from the dark side! It is easy to ask closed questions, indeed it's very comfortable. Far better to ask about the administration costs than to ask a question to improve your understanding of the mission. Closed questions can lead to the answer the charity you're supporting thinks you want. I once asked a brilliant organisation which had produced a toolkit for supporting child carers if they had considered setting up a social enterprise to provide sustainable funding. Three weeks later I received a funding proposal for just such an idea; however they didn't have the skills or competencies for such a venture. However they did brilliant work and that should have been my focus in the questions I asked. Worst of all they gave me what they thought I wanted, even though I had asked a genuine question.

The most rewarding questions are very open; to ask about the passions and motivations of an organisation. Ask them to talk about their successes and where they might see them changing in the future. Find out about their challenges, notably around funding. Most importantly, remember that you are not trying to conduct a Jeremy Paxman style interrogation. Once they feel comfortable, you can have a constructive and helpful conversation.

The next great approach to avoid living on the dark side is thinking about the venue. Inviting a potential

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recipient of your money to your office, favourite eatery, club or house is not the best way forward. Go to where they operate and meet the team and the clients. It may be uncomfortable at first for you but if you want to get the best out of the meeting you will want them to have the opportunity to perform well so you can see how good they really are. Whilst your gleaming, marble clad office is congenial, it might be intimidating to others.

Another aspect of the "dark science" is that of measurement and impact. I believe it is important to understand more about this subject and there is much good work currently being done. However, for some organisations, notably the small ones, it's a tough subject. You know that in your personal relationships, friends and family, you will on occasions, try to help someone who is not doing well, or who is not dealing well with some of what life has to throw at them. If, after this support, you were asked to measure your impact or effectiveness, you might find it tough to offer anything other than qualitative comments. However, you will often be dealing with organisations which are working on just such issues. If, for example, you were interested in funding improvement in self esteem, could you measure it? Probably, but it could be difficult and costly.

When you have come from a corporate background, measurement can be much easier. These days, the return on capital reigns supreme. It is kind of easy; you put a certain amount of money in and hope to get more out. The return on "human capital" can be more challenging. My plea here is to ensure that you don't push measurement and impact beyond its practical and realistic use – these are people we are talking about, not units of production.

Finally there is a darkest relationship issue. All the best things come from trusting relationships. When there is trust there is more opportunity for shared success. Once you have trust, the organisation that you are involved with can come to you and talk to you about their real challenges rather than selling you success only. Trust is earned and invested in, it is not automatic; in fact we live in a society that prefers to check and audit than trust. Trust can shine a bright light on your involvement with a great organisation.

So, is there a dark side of funding? In my view: a very definite yes. Is it intentional and malicious? Generally, no. Can you make better philanthropic decisions in the light? Without a doubt. Don't be trapped into some notion of applying with rigour the lessons of business; apply them with appropriate care. Remember, you are dealing with people who are trying to help disadvantaged and excluded people and provide opportunities for those that have never had any.

In conclusion, ask open questions, go to their sites and talk to their clients, put measurement into a helpful context and learn the power of trust – live in the sunshine!

Ten Things You (Probably) Didn't Know About Philanthropy in The Netherlands

by Ineke A. Koele, www.koelepc.com

1. According to the John Hopkins Center for Civil Society Studies, the Netherlands is considered to have the world's largest non-profit sector in terms of percentage of the economically active (paid and unpaid) population. Annual giving to philanthropic causes amounts to 0.7% of Dutch GDP.
2. Dutch government and legislation does not have a coherent or systematic policy towards non-profit organizations per se. There is no overarching administrative oversight over charitable foundations and associations. Historically, philanthropic organizations are known as private organizations; even where State funding has been very important. The notion of a 'philanthropic' organization is only relevant for tax laws under what is known as ANBI status.
3. For non-Dutch residents, the use of a Private Foundation in the Netherlands offers excellent opportunities to combine philanthropy and private (trust) purposes, since a Private Foundation does not have to comply with ANBI requirements.
4. Approximately 1 out of 4 foundations in the Netherlands is a charitable foundation qualifying as an ANBI for tax purposes (about 50,000). Foundations are also used for social purposes, voting trust purposes, and private purposes.
5. A foundation or association that lacks the status of an ANBI does not pay income tax on investment income, gifts or bequests.
6. Many international NGOs, particularly those with complex governance structures, have their 'supranational' body governed by Dutch law due to its flexible legal framework.
7. In 2008 the Netherlands became the first country in the world to open up its borders to fully deductible cross border gifts to foreign organizations.
8. The growth in charitable giving has slowed during the last five years. This reflects declining donor trust in fundraising charities a trend among philanthropists to redirect their giving to social enterprises that have an increased focus on impact measurement.
9. There are no specific legal vehicles identified for social enterprises or impact investments. The tendency is that the existing charitable foundation framework is expanded to accommodate 'commercial' activities as well. Tax exemption can only be obtained through a substantive use of volunteers.
10. The market for Major Donors is relatively under-developed in the Netherlands, although tax incentives such as 'living legacies', where a major donor maintains income from his gifted assets, already exist.

Sources

[1] Lester M. Salamon, S. Wojciech Sokolowkski and Regina List, Global Civil Society: An Overview, 2003).

To Spend or Not To Spend?

by **Michael Green**

Should donors front load their giving to meet the challenges of today or create a legacy for future generations?

When Henry Smith, a London salt merchant, died in 1628 he bequeathed £2,000 to a charitable trust to tackle poverty and disadvantage. Nearly four centuries on, Mr Smith's gift keeps on giving. Last year the Henry Smith Charity gave more than £27 million to charities assisting the poor across the country. Moreover, with an endowment of about £700 million, the Henry Smith Charity looks well set to carry on doing so for another four centuries or more. This achievement is all the more remarkable when you consider that if Mr Smith had put the original gift into a savings account index-linked to the rate of inflation (better than most of us are getting on our savings at the moment) his £2,000 would have grown to just £322,700 today. This really is the epitome of having your cake and eating it: through the centuries the trustees of the Henry Smith Charity have not only given money away to support good causes, they have been able to grow the real value of the endowment. So why are many of today's donors, from Chuck Feeney to Bill Gates shunning the perpetual endowment model and committing instead to 'spend down' their foundation assets during their lifetime, or within a number of years of their death?

Henry Smith may, of course, be an exception. We would all love to know how his trustees managed such spectacular returns on the charity's investment portfolio. (The initial investments were in farm land in what is now the fashionable London Borough of Kensington and Chelsea but the endowment is now invested hedge funds, stocks, property, and so on.) Until the financial crisis of 2008, through the long stock market boom known as 'the Great Moderation' that began in the 1980s, double digit financial returns may have seemed a possibility. But those golden years for investors now look more like the exception than the rule. Sluggish rates of return make it much harder to have your cake and eat it too, as some foundations have had to face a painful choice between preserving the real value of their capital or slashing grant-making. For donors that have the power to make a choice between those objectives (trustees may have their hands tied by the testator), capital preservation can take second place to charitable purpose.

Another good reason for front-loading giving rather than deferring it to the future is what economists call the 'social discount rate'. The idea is analogous to a discount rate in finance: just as a pound today is worth more to me today than a pound in a year's time, so a life saved today is more valuable than a life saved tomorrow. Or, in economist-speak, we need to take into account 'time preference'. Applying a social discount rate is a standard tool in the appraisal of public investments. Current HM Treasury Guidance suggests a social discount rate of 3.5% . Given that a fair proportion of the money sitting in the endowments of charitable trusts has comes from taxpayers in the form of tax forgone on the original gift and/or the investment returns on the endowment, it is not unreasonable to apply the same test to philanthropic investments.

So, doing the maths so far, if an endowed foundation wants to do as much good in the future with its money as it could by spending it all today it needs to, first, protect from inflation (say 3%) and, second, take account of the social discount rate (3.5%), which requires an annual zero-risk nominal return on investment of at least 6.5%. Just to stand still. Worse, there is a decent case to be made that the social discount rate should be set much higher if trying to decide whether to administer a life-saving vaccine in a developing country today rather than tomorrow.

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“I’m not sure in the current environment that [endowments] are a means to achieving anything”, observes Ian Marsh, who advises high net worth families, on the basis that most endowments will struggle to achieve a rate of return of more than 6%. “There is no doubt”, he adds, “that some people want to leave monuments to themselves.” So should foundations such as Henry Smith or newer creations, if they aren’t about creating monuments, give up on the perpetual model and join Messrs Gates and Feeney in a big splurge? Should governments cut back on the tax breaks for endowment-building investments to discourage this kind of warehousing of wealth?

The case against spend down is, first, that perpetuity may be a virtue of itself. The Henry Smith Charity was part of a broader trend in the 16th and 17th centuries for British philanthropists to create endowments as a deliberate choice. Their aim was to remedy a perceived problem of previous generations of philanthropists who had created chapels, schools, colleges and almshouses but had made no provision for their ongoing funding. Endowment was a way to spare these charitable institutions from a state of perennial financial crisis. (Lucky them! I hear today’s charity fundraisers cry.) And I won’t even go into the debate about whether private schools and Oxbridge colleges should be a priority for scarce philanthropic pounds. Right or wrong, Renaissance donors thought that this was an improvement on previous funding models.

The second argument against spend down is about whether the money can be spent wisely so quickly. Indeed, it was the problem of making money faster than he could give it away that inspired John D. Rockefeller to implant the idea of the endowed foundation into the giving culture of the United States a century ago. The ‘too much money, too little time’ dilemma is a concern for today’s donors too. George Soros, once an advocate of spending out appears to be reconciling himself to the fact that a fair chunk of his philanthropic capital is going to have to be spent after he has gone.

It is certainly the case that spending down is hard. Chuck Feeney’s Atlantic Philanthropies has not had the easiest of times in its twilight years. Yet there is, so far, a pretty limited evidence base on spending down, because so few foundations have done it.

“The risks are multiplied that you’ll waste the money if you’re trying to get it out of the door”, cautions Professor Joel Fleishman, author of the seminal *The Foundation: a Great American Secret*, who is currently working on a new project to assess the pros and cons of spend down. “Most of the foundations interested in spend down are new wealth, from the tech sector” he observes. “They are hands on with their businesses and want to be hands down with their philanthropy.” Yet that tech mindset also brings impatience borne of quick commercial success. “Social problems are more complicated,” warns Professor Fleishman. “There is a natural maturing process to solving a social problem.”

This is a fair challenge. Might ‘spend down’ become ‘spend, spend, spend’? Only time will tell as donors experiment with spend down strategies. But Prof. Fleishman’s challenge cuts both ways. There is a difference between taking a long term approach to solving complex social problems and dribbling out a few grants to ameliorate the symptoms of social problems in perpetuity. Creating an endowment should be a strategic choice based on a full evaluation of the (discounted!) costs and benefits of giving today or in the future, including the possibility of squeezing extra impact out of your capital through social investment.

Foundations and International Development

by **Bathylle Missika**

A little over a year ago, the OECD launched a *Global Network of Foundations Working for Development (netFWD)*. We had spent the previous 12 months consulting with over 80 foundations from 20 countries spanning five continents. And what we heard was a clear demand from foundations for a dedicated platform to enhance the effectiveness and impact of their efforts while engaging in policy dialogue with governments, the private sector and key experts. On the other hand, the *OECD Development Centre's* member governments[1] (42 countries, of which 24 are OECD members and 18 are developing and emerging economies) were asking to learn more and engage in a dialogue with foundations, other than in ''ad-hoc'' fashion.

The Network was our response. Its inception was, in some ways, inevitable. Less than a decade ago, philanthropy was seen by many as a quaint enterprise of the rich, disconnected from the global development system dominated by governments and multilateral policymakers.

Not so any longer. Foundations have become increasingly important in the development galaxy; their influence and traction in shaping innovative and more inclusive approaches is now undeniable.

Innovation and impact are also at the heart of members' interest in netFWD. Several of them (e.g. the *Rockefeller foundation, the Emirates Foundation for Youth Development, the Lundin foundation, the Shell Foundation , the Novartis Foundation or the Rothschild Foundation*) have a strong interest or even associate themselves with models of venture philanthropy.

The questions they (and all of netFWD members) are asking are:

- Are we having more impact through our renewed models?
- Are we able to measure our impact?
- What's our specific social impact?

But most importantly, are these questions being discussed - or of any relevance - for other development professionals?

This is not always so clear. The ''Clash of Civilisations'' between traditional donors and foundations has led to different actors speaking to themselves in separate circles, with little interaction and more worryingly, little operational relevance in the ground.

netFWD is now trying to bridge this gap. It allowed foundations to finally have a seat at the table: Foundations are now directly involved in Global Partnership for Effective Development Cooperation (GPEDC) and were offered a seat as observer as part of the Global Partnership Steering Committee since July 2013. But being at the table does not mean a tacit agreement to be the development community's alternative ATM, at times when official development assistance is shrinking.

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Foundations cannot be asked to merely pick up the cheque.

So while they may still write cheques, foundations are now making it clearer that they have a say in the development agenda. Being part of a network like netFWD allows them to voice some of these issues and to reflect on their impact, value added, comparative advantages as well as to reach out to governments.

As the new post MDG framework is emerging, foundations are now part of our development landscape. netFWD is trying to optimise their willingness to engage further into our collective " landscaping effort" and most importantly, to systematise how they learn from each other and from other stakeholders, beyond the usual siloes.

Together with governments and alongside social entrepreneurs, the private sector (through the UN Global Compact) and NGOs, they will hopefully be able to reflect on how to enhance collective impact and will certainly agree that "doing good (or doing it alone) does not always mean doing it well".

Sources

http://www.oecd.org/dev/developmentcentremembercountries.htm

Most Tweeted

The 10 most Tweeted stories on #Philanthropy in the last month:

1. Canada Celebrated National Philanthropy Day on 15th November: *www.gg.ca/document.aspx?id=15434&lan=eng*
2. Monitor Institute released a new report on how funders can harness 'collaborative technologies': *pndblog.typepad.com/pndblog/2013/11/collaborative-tech-reducing-friction-in-the-system.html?utm_source=Thrive&utm_medium=Twitter&utm_campaign=Twitter+Weekly*
3. Foundation Center reports that grantmaking for web and mobile media projects is booming: *www.pbs.org/idealab/2013/11/foundation-support-booms-for-web-mobile-media-projects*
4. Rockefeller Foundation releases film 'I never thought' as part of its centenary celebrations: *www.rockefellerfoundation.org/blog/world-changed-100-years-philanthropy?utm_source=Social%20Media&utm_medium=Twitter&utm_campaign=RFBlog*
5. Influential philanthropy blogger Lucy Bernholz releases her 2014 predictions: *www.ssireview.org/blog/entry/philanthropy_predictions_2014*
6. California launches a social impact bond to tackle asthma: *http://philanthropy.com/blogs/philanthropytoday/calif-program-1st-to-test-social-impact-bonds-for-health/78805*
7. The 2013 World Giving Index produces some surprising results: *http://philanthropy.com/article/Americans-Rank-13th-in/143349/?utm_content=buffer46fc5&utm_source=buffer&utm_medium=twitter&utm_campaign=Buffer*
8. Foundation transparency gets a boost with launch of redesigned Glasspockets website: *www.glasspockets.org/*
9. Giving Tuesday on 3rd December raised $21 million in the US: *www.philanthropynewsdigest.org/news/second-annual-giving-tuesday-event-raised-21-million-for-charity?utm_source=Thrive&utm_medium=Twitter&utm_campaign=Twitter%20Weekly*
10. The most tweeted article from the last edition of Philanthropy Impact, in case you missed it, was Henry Timms' lessons from 'Giving Tuesday': *www.philanthropy-impact.org/article/three-lessons-givingtuesday*

Resilience Must Come First

by **Arthur Wood**

One can only be deeply moved by the devastation in the Philippines caused by Typhoon Haiyan at the end of November – the lives shattered and up to 10,000 dead. As you look at the eyes of the orphaned kids in the devastation of what was Teplocan if ever there was a moral case to be made for quick and effective grant giving here it is, surely. However as the relief operation winds down and the storm recedes into memory along with the worse disasters of the 2010 Earthquake in Haiti that killed 300,000 or the Tsunami in 2004 that killed 250,000, we must ask ourselves whether we have learned anything about effective disaster relief. The historical anecdotes are legion: the relief package after the Tsunami containing ski jackets and Viagra that was sent to Indonesia, a country with no snow and to my knowledge limited après ski, or Haiti where hundreds of thousands remain living in tents, threatened by a re-emergence of Polio and imported Cholera, yet half the official aid pledged has still not been disbursed (according to the Center for Global Development).

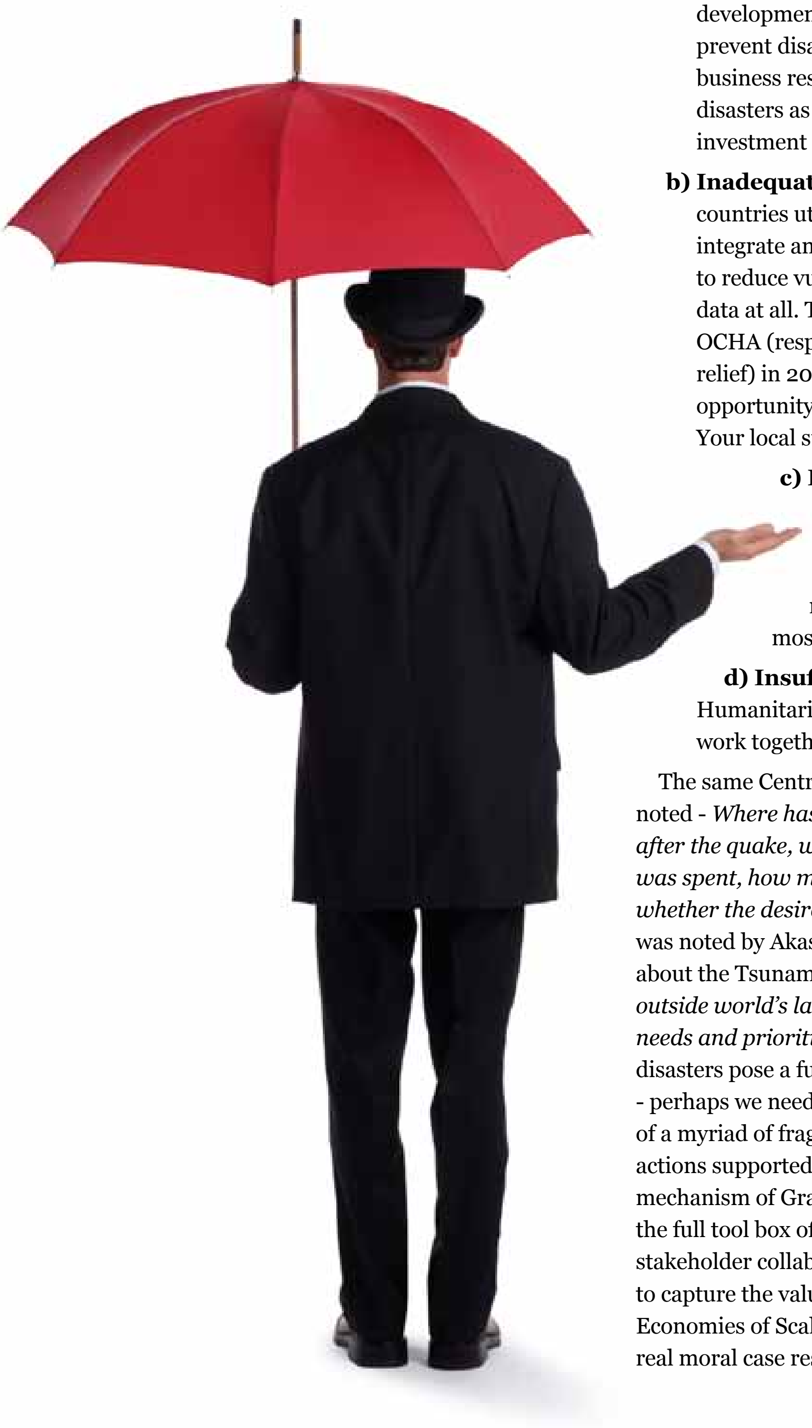
Where has all the money gone? Three years after the quake, we do not really know how the money was spent, how many Haitians were reached, or whether the desired outcomes were achieved.

If we are failing to deal with symptoms of natural disasters, can we do more to protect communities from their effects by building resilience?Mr Cameron's 2006 vision remains valid. At the end of the day, social entrepreneurship and impact investing are simply the injection of modern capital and commercial practices into the provision of social goods. In financial and strategic terms, the opportunity and paradox is that in the traditional "for" profit world we are reaping the whirlwind of over-leverage, whilst in the "not for profit" world there is under-leverage. Yet if the social sector can leverage capital effectively through new financial products, the incentives for collaboration and scale will change fundamentally.

At Total Impact Advisors we have just completed some work on resiliency for the Rockefeller Foundation. We began by asking what are the causes of a lack of resiliency and identifying five key market failures:

1. **Lack of savings/resources** - Many poor individuals and communities lack access to financial resources, which inhibits their ability to save and invest in activities to promote their livelihoods, including spending on health and education. This is exacerbated in times of macroeconomic crisis.
2. **Lack of risk mitigation tools** - Limited or no access to insurance or other risk mitigation tools, including forecasting, manifests at the micro-level as a lack of insurance options for the poor and at the macro-level as a dearth of larger-scale, more sophisticated insurance tools for key sectors of the economy, including financial services, agriculture, healthcare, and others.
3. **Lack of functioning domestic capital markets** - Limited credit (at customer level and bank level) and liquidity in many rural and developing markets inhibits the ability to mobilize resources. Inability to align domestic capital markets in developing countries ($2+ trillion) with national development needs.
4. **Lack of economic activity** - Limited access to financial or other resources creates a vicious cycle that inhibits the development of a commercial value chain and a functioning economy. The target populations are not integrated into the economic landscape.
5. **Lack of incentives to collaborate and scale** - Lack of large-scale system of incentives for multi stakeholder collaboration. This prevents otherwise innovative tools from scaling and an inability to look at problems at a systemic level where the incentives are aligned for tangible, auditable social outcomes.

Returning to natural disasters, these market failures



were manifested, for households, communities, and countries, as:

a) **Limited Private Sector Engagement:** the private sector, while often engaged in disaster response from a philanthropic and business perspective, does not invest at the nexus of development and humanitarian efforts to prevent disaster. There needs to be a proactive business response to mitigating the risk of disasters as opposed to the current reactive investment model after disaster strikes.

b) **Inadequate Use of Big Data:** developing countries utilize outmoded methods to access, integrate and use crucial data and information to reduce vulnerability and risk, if they use data at all. The Information budget for UN OCHA (responsible for co-ordinating disaster relief) in 2012 was $12.4 million. This is a big opportunity that is currently being missed. Your local supermarket does it better.

c) **Lack of Evidence-based Methodology:** Few players active in the field use rigorous methodologies to determine the resilient investments that matter most.

d) **Insufficient Collaboration:** Humanitarian and development actors rarely work together in a complementary manner.

The same Centre for Global Development report noted - *Where has all the money gone? Three years after the quake, we do not really know how the money was spent, how many Haitians were reached, or whether the desired outcomes were achieved.* Or as was noted by Akashar Kapur writing in Bloomberg about the Tsunami *"it was clear that much of the outside world's largesse was utterly removed from the needs and priorities of aid recipients"*. These natural disasters pose a fundamental question of philanthropy - perhaps we need to move from a reactive system of a myriad of fragmented bilateral un-coordinated actions supported by a 19th century financial / legal mechanism of Grants and Aid to one where we apply the full tool box of modern capitalism to real multi stakeholder collaboration with social mission hardwire to capture the value of Innovation, Collaboration and Economies of Scale (ICE)? Ask that Orphan where the real moral case rests.

***Arthur Wood**, formerly a banker and then Global Head of Ashoka Social Investment Services and is now Founder Partner of Total Impact Advisors, www.totalimpactadvisors.com, an impact investing advisory practice.*

Social Investment Deal of the Year?

by **Michael Green**

On Monday 9 December 2013 LGT Venture Philanthropy and Berenberg announced a first close of their social impact fund, Impact Ventures UK (IVUK), raising just over £20 million. What marks out this deal is that it is the first social investment fund, to our knowledge, that has secured a local authority pension fund (London Borough of Waltham Forest Pension Fund) among its investors. Furthermore IVUK has assembled an investment committee two thirds of which are independent and drawn from a variety of backgrounds relevant to helping social enterprises scale.

IVUK was created to offer investors the opportunity to engage in and learn from the social investment sector as well as give the entrepreneurs behind the social enterprises access to strategic and mentoring support. IVUK focuses on identifying businesses with specific and measurable positive social impact and a sustainable financial model. The investors will benefit from an investment education programme and have exclusive co-investment opportunities.

In the two articles below Richard Brass and Nick Jenkins tell the story from the founder's and investor's perspective.

***Richard Brass** is Head of UK Clients at Berenberg Private Banking and founder of Impact Ventures UK*

***Nick Jenkins** is founder of greetings card business Moonpig.com, enterprise fellow of the Prince's Trust and global board member of ARK (Absolute Return for Kids)*

The Founders: Richard Brass, Berenberg

The thinking behind IVUK was to create a source of capital that could be helpful to all stakeholders; the investors, the entrepreneurs and the beneficiaries. The needs and wishes of each are different but critically their interests are aligned; to create sustainable and scaleable positive social impact. It is this alignment that draws IVUK's various parties together. A collaboration amongst different individuals and partners to work together.

Part of the problem with the current system is that many social enterprises don't have the scale to compete with the big balance sheets of large corporates. Social investment can bridge that gap and provide the funding to build their capacity.

Social investment is at an early stage but we are seeing the emergence of business models with potential investable returns. This is a source of funding that can sit alongside charitable grants and donations.

It is not a new concept but perhaps the events over the last few years have brought social investment into sharper focus. Our collaborative approach is designed to encourage more investors into the market. We recognise that shared values and shared information can lead to a better informed community which should help with the building of a stable foundation from which social enterprises can scale and, most importantly, beneficiaries are empowered with the relevant skills and support to have greater independence.

The Investor: Nick Jenkins

Earlier this year I was asked to join the investment committee, of Impact Ventures UK (IVUK), the new social impact investment fund launched this December by LGT Venture Philanthropy and Berenberg.

I agreed to join the investment committee, which is a voluntary role, because I was intrigued by the growing social investment sector and sitting on the committee would give me a great view of the types of social enterprise looking for investment. In return my view as an entrepreneur and serial investor should offer a useful perspective.

There has been plenty of hype about social investment as the new way forward but we shouldn't get too carried away with it. Social finance is not "charity 2.0" or whatever the current buzzword is. It is merely one additional form of funding that suits a narrow band of social activity. This is not going to replace tin rattling, sponsored bike rides or grants, but it might bring about a significant change in the way we develop innovative ways to solve social issues.

There is no agreed definition of social enterprise at present, but for me the critical issue is whether or not the founders are driven by social mission or profit. The purest form is when the founding shareholders design the constitution to reinvest profits in the mission rather than allowing the distribution of profits to shareholders. This doesn't preclude external investors from making a financial return for providing the funds any more than the suppliers of their office furniture will make a profit from supplying them, but there is no ambiguity about the motivation of the people driving the business.

We spend £400 billion on health, education and welfare in this country. Large chunks of this expenditure is outsourced through purely commercial entities such as Serco and Capita and some is channelled through charities and social enterprises who are driven by an interest in the outcome itself.

If you want to commission an air-conditioning system the private sector is very good at competing but when you are working on the management of care for vulnerable children would we not rather commission an organisation driven by the best outcome for the child rather than merely satisfying the pre-agreed measurement criteria in order to maximise profits? Are we not concerned that there is too much temptation to massage the figures a little or economise on the aspects that are not measured?

Some people struggle to get their heads around the idea of making a financial return on social investment. Making this work in a social enterprise context requires some creative thinking.

Part of the problem with the current system is that many social enterprises don't have the scale to compete with the big balance sheets of large corporates. Social investment can bridge that gap and provide the funding to build their capacity. For many years social enterprises complained that the commissioning systems tended to favour large corporates over social enterprises. There are steps being taken to redress that balance. We have plenty of bright practitioners who have creative ideas of how better to solve the social issues we face in this country, I hope that the availability of sympathetic funding and a more level playing field of state procurement will result in the creation of some really effective and dynamic and nimble social enterprises.

Although a significant volume of social enterprise will be paid for by the state there are other social enterprises who reply on consumers for their funding. Jamie Oliver's Fifteen is a great example of a business that takes revenue from diners to train young people in the catering trade who might otherwise struggle to find employment. The Clink is another great example, giving prisoners in Highdown the opportunity to learn a new trade in the restaurant.

You might notice the same examples being referred to again and again. There aren't very many of them. However, from my own experience as an entrepreneur I know that there are plenty of entrepreneurs who have sold one business and would like a new challenge the second time around. The availability of funding for this type of enterprise ought to help spur on some of our entrepreneurial brains to create more businesses with a mission.

Some people struggle to get their heads around the idea of making a financial return on social investment. Making this work in a social enterprise context requires some creative thinking. In a normal Venture capital investment, the successful investments will be sold for a multiple of profits. The successful investments might yield many times the original investment which covers the money lost on the ones that collapsed without trace and on average it results in a reasonable return.

Social enterprises are not normally created with a view to an exit which means that financial returns need to be extracted from a share of any surpluses generated. It requires a change of mindset for people who come from a grant funded background but it is quite possible to a find a sensible balance.

Some people are curious about the motives of social investors. Social investment is likely to give a lower yield than a normal commercial investment fund of the same class. A Venture Capital fund might aim to offer a 14% annual return for a long term investment. IVUK aims for a 7% return over the same period. The investors have already traded some expected financial return for the social return. A typical investor might be a family foundation with an endowment. They would rather invest it where it can generate social benefit as opposed to simply investing it in the stockmarket until it is needed.

Rest assured that social investment funds don't attract cigar munching fat cats, eager to gouge profit from the good works of others!

A Wake Up Call for Professional Advisers

by **Jim Coutré**

New research shows that adviser-client discussions of philanthropy in the USA are falling short of their potential impact on the adviser's business, their clients' lives and society.

With philanthropy as an increasingly important aspect of their wealth experience, high-net-worth (HNW) individuals in the USA are turning to their professional advisers to discuss the topic. The adviser-client conversation is a safe space away from the agendas of fundraisers where clients can explore more meaningful values – and interest-based philanthropy – and where advisers can infuse a heightened level of professionalism and rigor to the execution of philanthropic strategies. These conversations are capable of creating a triple win: greater positive impact on the adviser's business, their clients' lives and society. But are these needle-moving conversations happening?

This question lies at the core of new research conducted by The Philanthropic Initiative, a global philanthropic advisory firm, and U.S. Trust, Bank of America Private Wealth Management. The *U.S. Trust Study of the Philanthropic Conversation: Understanding Adviser Approaches and Client Expectations* stands as the most comprehensive look, in the past decade, into the extent and dynamics of philanthropic conversations between advisers and their high-net-worth clients. The study surveyed a random sample of over 300 wealth advisers, trust and estate attorneys and accountants and a random sample of 120 HNW individuals in the U.S. who are actively engaged in charitable giving.

With only 41% of HNW individuals fully satisfied with the philanthropy conversations they are having with their advisers, the findings suggest these conversations are not meeting the evolving needs of the affluent. Fortunately, the research identifies a number of important disconnect that can help advisers close the gap between what they have been doing – and what their clients actually want.

Open the conversation earlier and more often

Disagreement between advisers and their clients begins with the frequency of these conversations. While most advisers (89%) say they discuss philanthropy with clients to some degree and 71% make it their regular practice, only 55% of HNW individuals report discussing philanthropy with a professional adviser with an additional 13% who have not, open to the discussion. As to who raises the discussion, one-third of advisers (33%) say they are the ones to initiate these discussions while their clients initiate them just 20% of the time. However, among HNW individuals who have discussed philanthropy with their adviser, half (51%) say that they are typically the ones to initiate the conversation, and that their advisers brings up the subject on their own just 17% of the time.

What matters more to HNW individuals than who initiates the philanthropic conversation is that it be had in a meaningful way early in the relationship. Advisers indicate they are more likely to bring up the subject of philanthropy once they have greater knowledge of a client's personal (40%) or financial goals (47%), or when they are aware that a client volunteers or is active in the community (43%). However, one-third (34%) of HNW individuals feel the topic should be raised during their very first meeting with and adviser, and virtually all (90%) agree that this discussion should occur within the first several meetings.

The message to advisers: While it is important to understand your client, don't drag your feet.

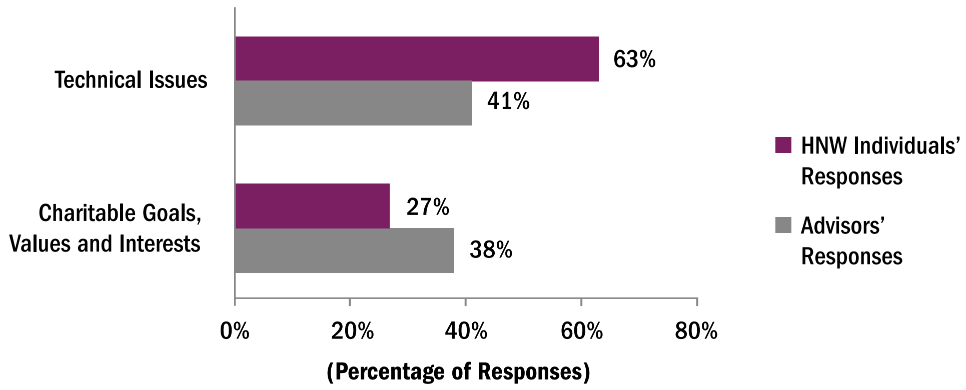
Deepen the discussion with values - and interest - based conversations

At the root of the surprisingly low satisfaction with philanthropic conversations could be the disconnect between what clients want out of these conversations and how their advisers are approaching the conversation.

Jim Coutré, *Partner, The Philanthropic Initiative*

Claire Costello, *Managing Director, National Philanthropic Practice Executive, U.S. Trust, Bank of America Private Wealth Management*

Chart 2: Focus of Philanthropic Discussions: More Technical Issues than Personal Goals



71% of advisers say they raise the discussion through a technical angle – focusing on tax considerations or giving vehicles such as foundations, trust or donor advised fund – while only one-third (35%) begin with their client's philanthropic goals and passions. While HNW individuals are interested in the technical aspects (39%), they are equally interested in discussing the personal aspects of philanthropy that begin with their values and interests (39%). According to a majority of clients (63%), advisers continue the discussions with a primary focus on the technical aspects despite their belief that they are more balanced between the technical and personal.

What matters more to HNW individuals than who initiates the philanthropic conversation is that it be had in a meaningful way early in the relationship.

The message to advisers: your clients expect the technical help, but also want conversations that are more personally meaningful to them.

Understand what actually motivates your clients

The overemphasis of technical topics by advisers is both explained and made more mysterious when looking at advisers' perceptions of why their clients give. Advisers are wonderfully aligned with what their clients identify as the top three motivations for giving – which are all personal: passionate about a cause, a desire to give back, and a desire to have an impact on the world or community around them. Beyond, however, we see a major disconnect. Advisers believe (46%) that reducing taxes is just as powerful of a motivator for their clients as the desire to give back or achieve social impact. HWN individuals, however, ranked reducing taxes as second to last (10%) in a list of motivators for giving.

Further evidence of the disconnect on the topic of taxes appears in advisers' belief that 40% of HNW individuals would reduce their giving if the estate tax were eliminated, and that 78% would do so if the income tax deduction for donations were eliminated – whereas just 6% and 45% of HNW individuals, respectively, indicated they would reduce their charitable giving if these tax policy changes occurred.

Perhaps not surprising, when asked what kept their clients from giving or giving more, advisers cited they won't have enough money to leave to their heirs (41%), they won't be left with enough money for themselves (34%), and they don't consider themselves wealthy enough to give (22%). On the contrary, very few HNW individuals cite these same reasons (4%, 14% and 5% respectively) but instead cite a fear that their gift won't be used wisely (30%) and a lack of knowledge about or connection to a charity (24%)- two fears that, coincidentally, can be put to rest by developing a strategic approach to one's giving.

The message to advisers: it's time to finally admit that while your clients want to maximize tax advantages, there are more powerful forces that drive their giving.

Build your relationship with the next generation

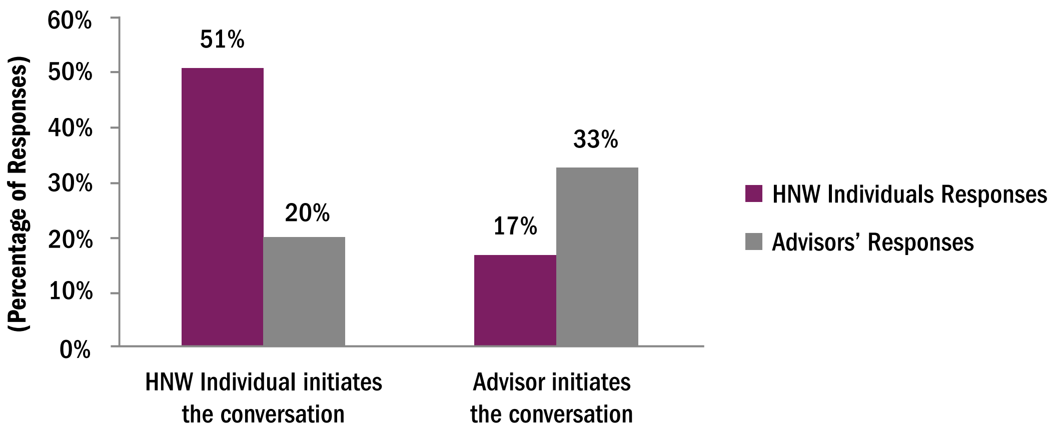
While the research uncovers many lost opportunities, few are as straight forward as including clients' children and extended family in the philanthropy conversation. Nearly half (45%) of individuals surveyed feel it's important to involve children and grandchildren in discussion with their advisers about charitable giving – yet only 9% report that their advisers have done so.

The message to advisers: if you are looking to better serve your clients while building a meaningful relationship with their children before they hire their own advisers, involve the next generations in the discussion.

Work on your own "stuff"

Being comfortable with one's own philanthropy can be of valuable for professional advisers. About one-half of advisers talk about their own personal

Chart 1: Who Initiates the Philanthropic Conversation: Depends on Who You Ask



philanthropy with their clients – which is a good thing. 8% of individuals, for example, cited learning about their adviser's philanthropy as the most interesting way an adviser can open the philanthropic conversation. Additionally, a third (34%) of HNW individuals are more open to discussions if they believe their adviser to be philanthropic and 43% would place more value on the advice they receive if they believe their adviser to be philanthropic – a number that jumps to nearly one-half (49%) for clients who have previously discussed philanthropy with an adviser.

Advisors are encouraged to find their own level of philanthropic fluency – for when their clients' needs exceed their expertise, there are numerous resources including colleagues, philanthropy advisors and community foundations who are experienced in partnering with advisors to help define and achieve philanthropic goals.

While HNW individuals' knowledge of philanthropic giving vehicles is low (15-20%), advisers rate their own knowledge only somewhat higher. Only 49%, 37%, and 29% of advisers rates themselves as being very familiar with charitable trusts, private foundations and donor advised funds respectively – raising the question as to why so many of the conversations they are having focus on giving vehicles.

The percentage of clients who feel their advisers would be strong at discussing personal values and charitable goals and who feel there advisers are knowledge about giving vehicles increase well over 20% each after clients have spoken about philanthropy with advisers – indicating that philanthropic conversations regularly increase the perceived value of an adviser.

In situations where a client's needs exceed the advisor's capabilities, which 49% of advisers have experienced, most (84%) advisers either have or would refer their clients to another source for help – most often an attorney (23%) or a philanthropic adviser outside of their firm (21%). For those who do or would not refer clients to another source (16%), lack of a referral network is the most often cited reason as to why.

Fortunately, many (57%) advisers plan to increase their knowledge about philanthropy over the coming year with greatest interests in developing strategic giving plans and mission formation (55%); understanding more about giving vehicles (50%); integrating values and goals into overarching wealth management plans (46%); and engaging the next generation in philanthropic giving (45%).

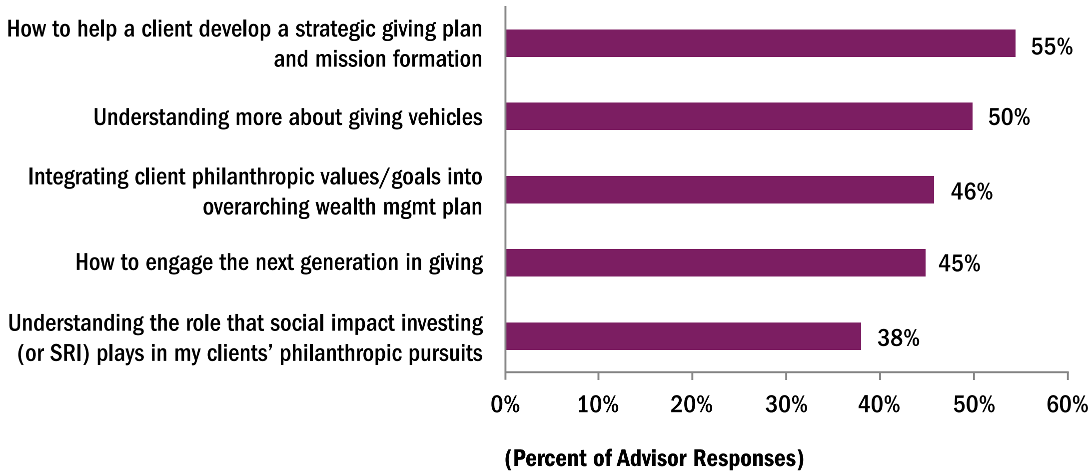
The message to advisers: knowledge is power.

Do well by doing good

Deeper, more personally meaningful conversations around philanthropy can inspire your clients to think differently about their giving and, ultimately, move them towards greater philanthropic impact. But to be clear, the research shows these conversations are also good for business. Three out of four (74%) adviser say philanthropy conversations are good for business for a variety of reasons including: presents a more comprehensive and holistic approach to managing a client's wealth (25%); demonstrate greater interest in their clients' charitable goals and aspirations (18%); shows clients that they are interested in more than just their clients' money (13%); and provides insights that help advisers better serve their clients (13%).

30% of advisers have been asked to serve in some capacity related to their clients' giving vehicles,

Chart 5: Hot Topics: What Advisors Want to Learn About Philanthropy



providing additional business opportunities. Many advisers (75%) find discussing philanthropy with clients to be an excellent way to deepen relationships and establish new relationships (54%). And many HNW individuals (40%) agree that these conversations do in fact deepen their relationships – raising the theory that more clients would feel the same way if a greater percentage of discussions focused more on the personal aspects of philanthropy.

Additionally, the research found that knowledge of philanthropy was a selling advantage in one out of three new business opportunities as 31% of HWN individuals would be more likely to select an adviser who was knowledgeable in philanthropy – a number that jumps to nearly half (46%) when that individual has previously discussed philanthropy with an adviser.

The message to advisers: the more meaningful these conversations are to your clients, the more meaningful they will be to your business.

While there are advantages to building one's own capacity for advising clients across every aspect of philanthropy planning and execution, simply opening the discussion in a way that resonates emotionally with a client and sparks their interests is valuable in itself. Advisers are encouraged to find their own level of philanthropic fluency – for when their clients' needs exceed their expertise, there are numerous resources including colleagues, philanthropy advisers and community foundations who are experienced in partnering with advisers to help define and achieve philanthropic goals. The research shows nothing but up-side for those advisers who take a good look at how they are and aren't discussing philanthropy with their clients – and who work towards better alignment with their clients' expectations.

What is the Business Case for Offering Philanthropy Advice Services?

by **Emma Turner**

Which cause or charity should I support? And how much? How can I make a difference? Such questions and subsequent counsel are part of our everyday life. Emma Turner, Head of Client Philanthropy at Barclays looks at the justification for offering advice on such matters as a formal service to clients.

There are the informal 'water cooler conversations' about how much to give a friend who is running the marathon or climbing a mountain. Then there are the more serious dinner party debates where everyone knows a great cause and gives a pitch as to why we should all support it. The internet can help us find out more about the causes or charities we want to support, while educational courses can improve the focus of our philanthropic activities or help us become a more organised giver. Last, but not least, professional fund-raisers are all too keen to enlighten us to their cause and hopefully engage our support.

But how do individuals work their way through this minefield and come out the other side inspired with the confidence and motivation to enjoy giving?

There are certain activities you wouldn't consider without professional advice: setting up a trust or managing tax matters aren't usually embarked on without consultation with a lawyer, an accountant or a tax specialist. And so it might be that the obvious place to seek guidance on your philanthropic activities is a person who can give you expert advice.

It seems an obvious way to address a need, but let's look at it from the other side: how does such an advisory role fit into a business and what are the drivers for a firm to dedicate a full- or part-time resource to this area? How can philanthropy be integrated into a client service offering and how should it be positioned both externally and internally?

Research to find out how to build the philanthropy advice market has been carried out over the years, most recently in February 2013 by Philanthropy Impact and Scorpio Partnership following a survey carried out in 2012 of the advisory population which included lawyers, private bankers, philanthropy advisors and accountants. Compared to NPC's research conducted in 2008 the market in providing philanthropy advice hasn't developed as much as anticipated.

Interestingly, in 2008, 60% of participants thought philanthropy advice would be core to a wealth advisor's offerings within five years. Fast forward to 2013 and only 31% thought it was central to their firm's offering. However in 2012, 66% thought that philanthropy advice added value to their firm's offering. It seems that the jury is still out on how this service can work best and for whom.

In the UK we complement our advice with the support of third party advisors

In November 2008, I was hired into a new role created by Barclays Wealth and Investment Management: they had understood that *'clients need advice which extends to more than just managing financial assets. Through a philanthropic programme we can help clients identify the right structure, ensure giving aims are achieved, involve the family to create an inter-generational legacy and develop their own philanthropic vision'.*

Clearly Barclays felt there was value in providing this service but what did that really mean? In order for a client philanthropy service to really work I believe there needs to be some key foundation stones to underpin it.

Firstly, the organisation offering the advice needs to 'walk the walk' not just 'talk the talk'. The service then becomes a natural extension of how you are supporting employee volunteering, fundraising or giving activity as well as corporate community investment strategy. However, be prepared for one of the first questions a client may ask, when philanthropy comes up: ”what does your organisation give to charity?” as well as asking you what you personally do.

Secondly it needs the buy-in and support from the top. This way, bankers (in my case) or other co-workers, know it has endorsement and isn’t just a nice idea which has no real substance or business value. Philanthropy advice done well can help build reputation – done badly it can damage in equal measure.

Such a service takes time to build and deliver, but when you have done so the benefits will be there for all to see: whether through improved engagement with clients or prospects or being seen as a thought leader in the philanthropy advice market place.

Thirdly, a decision has to be made on how to resource the service. It can be in-house with a dedicated full or part-time headcount or outsourced entirely to external advisers. The latter may be a good starting point for a small firm which wants to see some success before dedicating an in-house person. It will depend on the company, its resources and objectives.

For those organisations advising private clients, I believe this role should be truly embedded in the business and offered as a free service to clients; making it more acceptable and adding real value to the relationship. It makes initial conversations easier as there is no worry about clocking up a ‘charity advice bill’. It also enables the advisor to sit in a totally neutral place, working alongside the banker, with only the client’s best interests at heart – there is no buy or sell involved.

The range of service provided will depend on the level and skill of the adviser. At Barclays, we aim to engage, educate and support our HNW clients on their giving journey in four key areas:

1. Information for practical, flexible and effective giving including guidance on giving vehicle options
2. Help in identifying drivers, connections, right cause area/s, extent and profile of involvement to achieve the desired effect
3. Engaging the family, creating a inter-generational legacy, giving while living rather than just ‘legacy at death’
4. Inspirational learning through research/ literature as well as exclusive client events

In the UK we complement this with the support of third party advisors (the Charities Aid Foundation (CAF), the UK Community Foundations, the Institute of Philanthropy and New Philanthropy Capital (NPC)) which enables us to provide a comprehensive service without having to be experts at everything. We also commission and produce research to provide greater insight into current thinking and best practice as well as organising events for clients to share their experiences with other philanthropists and professionals in the field.

Such a service takes time to build and deliver, but when you have done so the benefits will be there for all to see: whether through improved engagement with clients or prospects or being seen as a thought leader in the philanthropy advice market place.

***Emma Turner** is a Director at Barclays, Wealth and Investment Management and heads the Client Philanthropy Service. Emma joined the firm in 2008 after 11 years at Goldman Sachs where she was Executive Director of the Charitable Services Group in EMEA and Asia. She had previously spent 10 years as Fundraiser and Marketing Manager for a major London charity. Emma sits on the board of two private family foundations in the UK and the USA and one charity, which is operational in Antigua.*

Two? Four? Six?
What Number of Messages Will Produce the Most Persuasive Appeal?

by **Steve Martin**

When it comes to influencing others delivering the right number of messages to support your proposal or proposition is going to be crucial. Too few and your attempt might come across as halfhearted, indifferent or plain weak. But too many messages can hurt you too. Like adding too much spice to the dish, your influence attempt could become overpowering—one that even the dog will turn his nose up at.

So when it comes to successfully persuading others, what is the optimal number of claims that you should employ to produce the most positive impression? The match offers worked. Karlan and List found that offering a match increased the probability that each recipient would give by 19%, and that the average gift increased by 22%. Pretty impressive gains, but then the surprises start.

One potential answer to this question comes from a brand new study conducted by researchers Suzanne Shu from UCLA's Anderson School of Business and Kurt Carlson from the marketing department at Georgetown University. In their studies participants were assigned to one of six groups and asked to read descriptions of different five target objects – a breakfast cereal, a restaurant, a shampoo, an ice cream store, and a politician. *(Let's save the 'Is a politician an object?' debate for another day).*

As an example the shampoo advertisement was introduced as follows:

"Imagine that you are reading one of your favorite magazines and an ad for a new brand of shampoo catches your attention. You decide to read the ad carefully to see if it is worth switching to this new product. The ad says that this new shampoo does the following:

The space below the text was then filled with one, two, three, four, five or six positive claims about the shampoo object. For example participants who were shown all six claims read *"Makes hair cleaner, stronger, healthier, softer, shinier, and fuller".*

Similarly, in the political advertisement, participants who were shown all six claims read that he was *"honest, had integrity, experience, intelligence, interpersonal skills, and a desire to serve."*

After seeing the ads the attitudes of each participant toward the target objects were measured along with how positive or negative their impressions for each were. The researchers also measured levels of scepticism in an attempt to identify the point at which people started to think that the claims on the ads where just a ploy to persuade them.

"three charms but four alarms."

The results clearly demonstrated that those who had read *three* claims rated all the items (regardless of whether they were shampoos or politicians) significantly more positively than participants who had read adverts with one, two, four, five, or six claims. So it would appear that adding additional positive claims to a persuasive appeal increases the effectiveness of that appeal but only until the third claim is reached. But beyond three, further persuasion attempts increase scepticism which, in turn, can heighten resistance to the overall persuasion appeal.

This squares with another recent study, this time conducted by Daniel Feiler, Leigh Tost and Adam Grant, for the Make-A-Wish Foundation. Participants were randomly assigned to receive a request to donate to the charity that had either two egoistic reasons to give, two altruistic reasons or all four reasons combined. Giving intentions were much lower in the group who were provided with four reasons to donate with post study surveys revealing a simple reason why. People could see the persuasion attempt for what it was—an attempt to influence them. More evidence that when crafting a persuasive communication there comes a point when adding additional arguments and justifications acts to heighten resistance which, in turn, can greatly reduce its impact.

So the answer to the question "What is the optimal number of claims that should be used to produce the most positive impression?" seems to be three.

Or, as Shu and Carlson so succinctly write, *"three charms but four alarms."*

Sources

At the time of writing the Three Charms, Four Alarms paper was awaiting publication. We were provided with the following suggested citation: Carlson, Kurt A. and Shu, Suzanne B., When Three Charms But Four Alarms: Identifying the Optimal Number of Claims in Persuasion Settings. http://dx.doi.org/10.2139/ssrn.2277117

More details of the experiments combining egotistic and altruistic appeals can be found in: Feiler, D. C., Tost, L. P., & Grant, A. M. (2012). Mixed reasons, missed givings: The costs of blending egoistic and altruistic reasons in donation requests. Journal of Experimental Social Psychology, 48(6), 1322-1328.

***Steve Martin** is an author, business columnist and behavioural expert. He co-authored the New York Times, Wall Street Journal and Business Week International bestseller Yes! 50 secrets from the science of persuasion which has sold over ½ million copies and has been translated into 26 languages. In 2008 Yes! was nominated for the Royal Society annual prize for science writing and in 2009 Harvard Business Review listed it on their prestigious 'Breakthrough Ideas for Business' list. Steve is a guest lecturer on Senior Executive Programmes at the London Business School, Cass Business School and the Said Business School, Oxford University.*

Can Billionaire Philanthropists Save the World?

by **Amy Schiller**

The October shutdown of the U.S. government was yet another proxy war over the legitimacy of the social safety net. With the Affordable Care Act, which mandates eligibility for private health insurance for all American citizens, scheduled to take effect on October 1, the hard-right flank of the Republican party (often referred to as the Tea Party), attempted to block implementation of the Affordable Care Act using the budget negotiation process. The standoff resulted in furloughs, suspended programs, and a huge economic slowdown.

The Republicans' attempt to show that government was too large and intrusive, with the expansion of health care being only the tip of the iceberg, resulted in most of the country reaching the exact opposite conclusion.

Yet considering the travails that the Affordable Care Act has faced, over its substandard web capacity, lower-than-expected enrollment, and outrage over canceled insurance, the shutdown will hardly be the last time the Republican party exploits an opportunity to undermine the federal government and its social service programs. But the party needs more than outrage over the perceived size of the government. The futile standoff over the Affordable Care Act was undergirded by a fantasy of a world where the government's power is vastly reduced *and* private citizens step into the breach with better, more innovative ideas for solving social challenges. Therefore, the discourse around philanthropy has a huge role to play in either underscoring or countering arguments for a reduced public social safety net.

Which is what made a $10 million gift to Head Start – a renowned, federally-sponsored early-childhood program - a microcosm for mega-philanthropists to define themselves and their work in relationship to the state.

On October 1, with congressional negotiations deadlocked, preschoolers across the country were locked out of their Head Start centers, leaving their low-income families strapped for daycare options and depriving the students of critical educational opportunities. In response, Laura and John Arnold, a billionaire couple from Houston, made a personal gift of $10 million to Head Start. The Arnolds, with an estimated net worth of $2.8 billion, amassed their fortune before either spouse turned 40, through careers in the oil industry, particularly John's energy trading hedge fund, Centaurus Advisors.

"The battle [that] increasingly centers around public funds like state and municipal pensions…isn't just about money. It's also about blame. In state after state, politicians… are using scare tactics and lavishly funded PR campaigns to cast teachers, firefighters and cops – not bankers – as the budget-devouring boogeymen"

Coverage of their gift was typically celebratory, and any criticism of the circumstances surrounding the gift was directed at the shutdown as the precipitating factor. The Atlantic's Eleanor Barkhorn lamented "It's bad news when the government is in such disarray that it needs money from a billionaire to keep providing services to the country's neediest," before concluding "the money will keep thousands of children in safe and familiar surroundings. That's good news."

Putting low-income children back in the classroom—thereby enabling their parents to go back to work—is a positive outcome. But it is no accident that the 7,195 children whose Head Start programs lost funding, and their families—to say nothing of the larger population of public employees and beneficiaries—are dependent on the Arnolds' largesse. The government shutdown is not an unintended circumstance in which programs like Head Start require emergency assistance from the wealthy. It is a snapshot of the very future toward which House Republicans, pressured by the Koch brothers, Grover Norquist, and others are attempting to steer the country.

"Arguably the most coveted status symbol isn't a yacht, a racehorse, or knighthood; it's a philanthropic foundation…one actively managed in ways that show its sponsor has big ideas for reshaping the world…the ambition of the philanthro-capitalists doesn't stop at transforming how charity works. They want to change how the state operates, too…"

The Arnolds' public announcement of their gift was a refreshingly humble statement about the relationship between philanthropy and government: "We sincerely hope that our government gets back to work in short order, as private dollars cannot in the long term replace government commitments." If the aim of the Tea Party's shutdown stalemate is to strip America of its social safety net, it appears instead to have proven that even those who stand to benefit economically from a limited government and lower taxes find it in their interests to maintain government programs.

But there's a bigger story about philanthropy stepping in to plug holes left by the government. Philanthropy is an under-recognized player in the trends that led to the shutdown in the first place: erosion of legitimacy and trust in public institutions, just as mega philanthropy became an ascendant political force. Though philanthropy is generally associated with symphonies, elite colleges, and hospital wings, the trend in recent years has moved away from more ornamental causes to ones that interfere more aggressively with core public institutions. The most visible example is the widely-criticized efforts by the Broad, Walton, and Gates Foundations in relentlessly pursuing disruptive, top-down corporate education reform.

Rob Reich, a political theorist at Stanford, has researched how philanthropy has become increasingly political, not just in terms of what institutions they fund but in their ideology about the private sector's qualifications to solve social problems. "A democratic society is committed to the equality of citizens, but foundations are the voice of plutocracy," Reich wrote for the Boston Review.

Here, generosity is wielded as a Trojan horse, by people who stand to benefit tremendously from the public displays of private-sector expertise, juxtaposed with failures of the government. Philanthropy is welded to ideology about who is better suited to deploy wealth on behalf of others and therefore allowed to accumulate it.

Disappointingly, the Arnold Foundation is among those megafoundations whose larger charitable ambitions fall squarely within the plutocratic agenda. Armed with a staff that includes a former chief of staff to Dick Armey and a Tea Party challenger to Utah Senator Orrin Hatch, John Arnold is a key player in the aggressive anti-government edge of mega-philanthropy. Along with the funding of education reform measures like charter schools, he has made one of his major causes public pension reforms, including slashing benefits and moving funds under private management. The Arnold Foundation's report on pensions suggested that states should "stop promising a defined benefit," to pensioners.

As Matt Taibbi put it in Rolling Stone, while describing the efforts of the Arnold Foundation and others to undermine the legitimacy of pensions, "The battle [that] increasingly centers around public funds like state and municipal pensions…isn't just about money. It's also about blame. In state after state, politicians…are using scare tactics and lavishly funded PR campaigns to cast teachers, firefighters and cops – not bankers – as the budget-devouring boogeymen."

Compared to the billions spent on influencing public education reform, the Arnolds $10 million gift to maintain an existing social program is almost quaint, both in terms of size and in terms of ambition for control (or in this case, lack thereof). According to Chrystia Freeland in her 2012 book Plutocrats, "Arguably the most coveted status symbol isn't a yacht, a racehorse, or knighthood; it's a philanthropic foundation…one actively managed in ways that show its sponsor has big ideas for reshaping the world…the ambition of the philanthro-capitalists doesn't stop at transforming how charity works. They want to change how the state operates, too…"

"[Big] philanthropy in the United States is booming… In September 2013 there were sixty-seven private grant-making foundations with assets over $1 billion… Mega-foundations are more powerful now than in the twentieth century—not only because of their greater number, but also because of the context in which they operate: dwindling government resources for public goods and services, [and] the drive to privatize what remains of the public sector…"

Those ambitions are only expanding, as we might expect during this era of inequality. According to Joanne Barkan's recent reporting for Dissent, "Philanthropy in the United States is booming… In September 2013 there were sixty-seven private grant-making foundations with assets over $1 billion… Mega-foundations are more powerful now than in the twentieth century— not only because of their greater number, but also because of the context in which they operate: dwindling government resources for public goods and services, [and] the drive to privatize what remains of the public sector…"

It's one thing to fund poor children's early education, particularly during an emergency. Unfortunately, for the Arnolds it seemed to be a fleeting moment of self-awareness, that for all their wealth, they are part of a larger community that requires a major central government to properly care for all its citizens. Otherwise, it's back to aggressively undermining the legitimacy of public employees and institutions, because billionaires know best. They certainly have quite the head start of their own.

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Ten Things You (Probably) Didn't Know About Philanthropy in The USA

Jim Coutré, Partner The Philanthropic Initiative

1. Imagine total charitable giving in the USA as a stack of dollar bills, 125 feet wide by 200 feet deep and as tall as the London Eye. That $316 billion represents about 2 percent of GDP (a number that has held relatively steady for the past 30 years), and about three times as much as the next closest country, the United Kingdom.
2. There are more than 76,000 foundations in the USA today, with combined assets of over a $half trillion, giving away about $47 billion each year, representing 14 percent of total USA charitable giving.
3. In the early 20th century, philanthropists such as Rockefeller, Carnegie and Sage pioneered a more business-like approach to philanthropy in stark contrast to the traditional charity of that time, an approach which began with deep learning about root problems. This new breed of foundations pursued their philanthropy with "clearly define objectives, benchmarks for progress, and methods for collecting data and measuring impact" notes philanthropy scholar Joel Flieshman. The approach, however, did not catch on in "main stream" giving at that time.
4. It would not be until the late 20th century when the same concepts practiced by the Rockefellers and Carnegies would come back into vogue. Characterized by the re-orientation from reactive to proactive, "strategic philanthropy" has now grown to also integrate careful planning and execution with philosophy, passion and values.
5. While "family" foundations are not a legal entity, over half of all private foundations have donor or donor-relatives named in their governance and, it is likely that a much higher percentage would be considered family foundations. Over a third of all family foundations have been established since the millenium.
6. Community foundations exist in nearly 750 communities. Ten currently hold over $1 billion in assets each. Representing about 9% of all foundation giving, community foundations are more likely to fund arts and culture, education and religion and less likely to fund international affairs and public affairs than independent and corporate foundations.
7. Corporate foundation giving levels have rebounded from the 2008 economic downturn more quickly than giving levels from independent or community foundations due to record corporate profit levels. Nearly 60% of companies reporting to the Center to Encourage Corporate Philanthropy gave more in 2013 than in 2007. Education, health, and social services receive the most corporate and corporate foundation donations.
8. Corporations are increasingly giving their employee's time as an integral part of their philanthropic efforts. Employee volunteerism programs cited as most successful by companies include: paid release time to volunteer; "dollars for doers" programs that award grants to nonprofits in recognition of employees who volunteer at those nonprofits; and, company-wide days of service.
9. International philanthropy has seen a tremendous rise in popularity. USA giving to international affairs grew 552 percent from 1987 to 2012 while giving to all other charities grew by just 82 percent. In 2011, over 11 percent of donors identified international issues as the most important issue to them.
10. Across every income group, female-headed households are more likely to give to charity than male-headed households. In both the lowest income quintile and the highest income quintile, women give almost twice as much as men.

Sources

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Giving, not Getting

by **Russell Willis Taylor**

For the past thirty years, I have spent much of my working life raising money for causes and organizations I believe in, and during that time I have met a great number of philanthropists whose generosity and humanity are inspiring. Because of these largely positive experiences, I am concerned with some of the changes I see in the philanthropic community – changes which reflect a move away from altruistic philanthropy and a move toward building a personal brand and directing policy while engaging in a market-based idea of philanthropic work. My thoughts on this no doubt reflect a bias based in the value of professionalism in the non-profit sector, and a belief that institutions can achieve mission with visionary leadership and sustainable support.

Peter Buffet recently wrote a stirring and controversial article in the New York Times entitled "The Charitable-Industrial Complex.[1]" Mr. Buffet is better placed than most of us to comment with candour and courage on the foibles of the very rich, and his article struck a chord with a great many of my colleagues in the non-profit sector as he unflinchingly described *Philanthropic Colonialism* (his term for donors who believe that their absence of knowledge about local contexts in no way prohibits them from "solving" local problems with money). He noted that in the US alone in 2012 more than $316 billion was given to non-profits, the growth of which exceeds both business and government sectors in America[2]. He describes with charming clarity being present in rooms with heads of state and major donors where "all are searching for answers with their right hand to problems others in the room have created with their left." And he bravely and rightly, in my view, talks about how the fame and glory of "giving back" a small percentage of the wealth these donors have accumulated allows them to feel good about perpetuating and exacerbating the wealth inequality gap that locks millions into a system where they continue to need aid.

In America right now any discussion of wealth redistribution, curtailing the absolute freedom of the rich, and hoping for greater financial equality is met in many quarters by the knee-jerk labelling of socialism. Having lived in England for nearly 20 years I mostly find this amusing since I have yet to see the word presented in an accurate way in these situations, and do not have the allergy to it that our conservative media seem to have. I have always liked fundraising, even while in leadership roles in organizations, because it seems to me to be a socially enjoyable form of wealth redistribution where all parties feel good about the outcomes.

I am concerned with some of the changes I see in the philanthropic community – changes which reflect a move away from altruistic philanthropy and a move toward building a personal brand and directing policy while engaging in a market-based idea of philanthropic work. My thoughts on this no doubt reflect a bias based in the value of professionalism in the non-profit sector, and a belief that institutions can achieve mission with visionary leadership and sustainable support

What we are seeing now is the rise of the super-rich philanthropist who is also an activist, in the words of Sarah Lutman, an outstanding writer and thinker who has both run non-profits and given money away professionally. She looks at the behavioural standards by which philanthropy is (or is not) bound, and notes that as it is all voluntary it leaves a great deal of room for variable standards.

Rich people can give to whatever they wish to, and I support this freedom of giving, but this giving is supported by tax benefits and when it begins to be large scale ideological arbitrage without nuance it becomes worrying. Bill and Melinda Gates are extraordinary philanthropists, but along with two or three others in America they are now taking on the mantle of unelected and unaccountable national school supervisors. Paul Tudor Jones, who made staggering sums of money by shorting the market before the 1987 crash, has announced that he intends to devote his time to "saving" America's public schools. With his (no trace of irony) Robin Hood Foundation he has given, and raised, over 1.5 billion dollars which he "deploys on behalf of the poor in New York City in a quantitative, results-based manner. In essence, he runs his foundation like he runs his hedge fund."[4] The phrase "deploys on behalf of the poor" makes me very uneasy, as it implies that because he is not poor he knows what is best for those who are. Tudor Jones is a generous man with a personal net worth of $3.7 billion. And now he is going to save public education. We can only wish him luck.

It is the wholesale transfer of market values into the philanthropic arena that gives me pause. Michael Sandel has written brilliantly on the erosion of our notions of public goods and civil society when we allow market values to enter areas where they do not belong. We used to feel that we could *address needs,* but now many philanthropists are only interested in *solving problems* and being seen to do so. The ideas that inspired Muhammad Yunus, who saw micro-lending as self-empowerment and as a vehicle for attaining dignity, are noble and effective. But the idea that every societal challenge can be tackled with the tool box of free market capitalism is wrong. Equating non-profit organizational under-capitalization with ineptitude is sloppy thinking. Believing that the methodology that made you rich is the appropriate path for solving a social problem is more ego than philanthropy, more personal brand than societal good. Many non-profits are not purely efficient by design – creation of social capital is not a purely efficient exercise.

This year Forbes Magazine (parish newsletter for the very rich) produced its second annual Philanthropy edition. It would take a very churlish person to feel less than grateful for the people profiled in this edition, and it is worth looking at it online for the surreal video of Bono singing an ode to Warren Buffet. The tone of the entire publication could be summed up in the opening essay from Randall Lane, Editor of Forbes. He notes: "Governments no longer seem capable of executing big ideas. Ditto for major corporations. It is left to entrepreneurial capitalism to innovate. And modern-day philanthropy taps the same skills, substituting public good for profits in instances where there is not yet an economic interest to do the right thing. We centred this year's issue on solutions for extreme poverty, from America to Africa. While that is a noble goal worth focusing on, it is also a prism to view the larger scope of philanthropy, whatever your interest. There are lessons here for anyone who believes in market-based, permanent answers to large-scale problems."[5]

Leaving aside the whimsical bypass of the fact that in the United States large corporations have devoted a lot of time, money and energy to making sure that the government *can not* get a lot done, it is the last sentence of that introduction that I find the most worrying. What about those of us who do not believe that market-based answers are or should be the premier and permanent solutions to our problems? What if we do not accept the inclusion of the words "not yet" in Randall Lanes' description of philanthropy as substituting public good for profits in instances where there is not yet an economic interest to do the right thing. How do we describe in compelling language that sometimes the right thing has no economic return?

We as effective fundraisers must now frame the discussion that we all need to have about how unchecked markets are creating ever bigger problems for us while widening the wealth and resources inequality gap. What conversations can we have with these new philanthropists if we do not accept the underlying principle that being rich also automatically makes you wise and visionary? How can we reassert the validity and value of people experienced in working on global problems who do not believe that all meaning is created within commercial markets?

Peter Buffet believes that the luxury of wealth should enable him to be curious and attentive, and I support his views. Innovation in philanthropy should be welcomed, and I do not wish to suggest that it should not. But innovation in philanthropy should still, in my old fashioned view, do more to benefit those who receive than those who give. That is why we call it giving, not getting.

Russell Willis Taylor,
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[1] New York Times, July 26, 2013

[2] For a full review of global giving, please refer to the Hudson Institute's research on this subject: http://www.hudson.org/files/publications/2013IndexofGlobalPhilanthropyandRemittances.pdf

[3] Sarah Lutman, Twin Cities Business, October 25, 2013. Impartiality, Journalism and Philanthropy

[4] Can Hedge Fund Billionaire Paul Tudor Jones Save America's Public Education System? Forbes Magazine, November 2013.

[5] Forbes Magazine Golden Age of Philanthropy Issue, November 2013

Philanthropy:
Origins and Reflections from the Middle East

by **Jules Campbell** and **Stanislaw Pelczar**

Few of the world's regions are as intimately connected to the wider world as the Middle East.

Since the Ottomans ruled over much of Eurasia there has been an increasing exchange of people, capital and information with the Middle East. This is true historically, where the region has long acted as a crossroads of trade, culture and ideas, as well as in more contemporary contexts where, for example, the recent Arab protest movements have inspired similar actions around the globe such as Occupy Wall Street. This trend is only a resumption of a centuries-old interdependence: the Silk Route is being re-established rather than invented. Accordingly, the flow and nature of philanthropy is no longer uni-directional from West to East but transcends borders.

One of the enduring legacies of the colonial period is the term Middle East, which belies a region of great diversity. Historically trade and religion were some of the most important factors through which people were exposed to the region, bringing insight and awareness to the existence of Arab, Persian and Berber cultures. However in spite of the region's distinct and disparate landscape, there is some unity. Bound by a common identity grounded in language and history, one theme underlines the close ties to philanthropy: the religion of Islam and poor-relief systems inspired by the pious to build a more compassionate society.

It is beyond the scope of this article to undertake a comprehensive interdisciplinary analysis across theology, sociology, and economics (nor would we purport to be academics!) but we hope to shed some light on a complex and compelling history and to place Middle East and Islamic charity into a more global conversation.

The Hidden Hand

Many religions and faith-based communities have at their core philanthropic components be it Buddhism, Hinduism, Judaism, Christianity or Islam in which charitable acts are of both an obligatory and voluntary nature. However the conception of poverty and definition of charity varies widely, even if they all shared the same underlying assumptions, for example, to provide relief to the poor.

In connection with Islam, which informs many aspects of a Muslim's life and underscores the dominant religion across the Middle East and North Africa region, religious ideology is the hidden hand behind many benefactors. In other words, there exists a strong relationship between ideology and practice.

According to the Qur'an, there are several kinds of voluntary and involuntary philanthropy, respectively, "sadaqa" and "zakat":

- Zakat - means the share of wealth, which is obligatory in today's Islamic tradition and law upon a Muslim to give to fixed categories of beneficiaries if the value of his/her assets is more than a specified limit. The root meaning of zakat is purification, of sin, and its giving also enables the benefactor to retain his/her residual wealth, creating a virtuous circle. The beneficiaries in accordance with the Qur'an are the poor, and the needy. Today, modern Islamic states collect and administer Zakat through the government.
- Zakat-ul-fitr or fitrana - means the charity which every Muslim, who is of certain wealth, pays at the end of the Ramadan.
- Sadaqa - means charity in the form of money or food, but includes every act of goodness.
- Waqf - means permanent dedication to any purpose recognised by Islam as religious, or charitable.

Enshrined in the Qur'an, philanthropy forms a necessary part of being a Muslim and obliges the

individual on multiple levels to meaningfully consider others. It is predicated on the notion that all things, including wealth, are provided by God and need to be used to care for the community.

Practice versus ideology

The relationship between philanthropy and Islam therefore has had a very long tradition and begs a number of questions:

- Is modern secular philanthropy simply continuing a long-standing tradition or indicative of a new value set?
- Is the impulse to aid one's fellow being a categorical imperative to which both secular and religious values align?
- What is the relationship between ideology and practice?

Distinct across religions is the conception of poor and conversely charity. Definitions of who is worthy of charity, who is obligated to give, and what form does charity take vary.

The custom of charitable bequests prior to death for charitable causes is a case in point. Wealthy Arabs tended to favour private charitable foundations over public spheres. Handpicked executors were charged with responsibility for investing the capital and distributing the income on an annual basis in perpetuity. This was also true of Judaism, however, contrasted with practices under Christianity in which public distributions were predominant.

Historically funds for Muslim endowments were often connected with the construction and maintenance of buildings or related places and activities whose dominant function supported the solidarity of communities and religions. Examples include soup kitchens, healthcare centers, mosques, schools, monuments and art. One doesn't have to look for long to discover manifold examples of philanthropy across the Middle East including: the twelfth-century endowment of a hospital in Damascus, Bimariston al-Nuri, courtesy of Nur al-Din al-Zangi; Muzaffar al-Din, governor under Saladin (d. 1193) who established two Sufi convents as well as public works geared toward giving to the poor; Haseki Hurrem Sultan, wife to Sultan Suleyman (d.1520-1566) who established charitable foundations in Istanbul amongst other places; Mehmed Aga, chief imperial architect to Sultan Ahmed I (d.1603-1617), who not only constructed great monuments for others, like the Blue Mosque in Istanbul, but whose home operated in many ways like a soup kitchen. Across the Middle East, these names are equal in their legacy to the likes of Andrew Carnegie, Andrew Mellon, and Henry Ford.

The secular debate

Reconciling the contemporary challenge of balancing traditional elements of philanthropic culture (orthodoxy, conservatism, tradition, continuity) with the processes of secularisation and modernisation towards a shared objective is fraught with challenges. Understanding this dynamic - local cultures, traditions, customs and patronage of faith-based communities across the Middle East - to create a practical framework through which combined resources can be channelled is fundamental to building sustainable success at an institutional-level, businesses-level and an individual-level.

Analogous to striking the right balance is the concept of Islamic Finance. In recent times, scholars and practitioners alike sought to reconcile such differences to facilitate the free flow of financial capital. Huge success has since derived from the advent of structures or special purpose vehicles which has given rise to the now booming Islamic Finance sector. Framed in the secular context, it has enabled capacity building and social justice rather than echoing the vitality of a religious tradition.

Rentier economies

Further to the religion of Islam and poor-relief systems inspired by the pious, economic realities are equally important in creating a culture of and influencing attitudes towards philanthropy.

Gulf States have some of the highest densities of $ millionaires in the world, with 2012 Global Wealth Report by BCG placing the UAE 6th, Bahrain 10th and Oman 13th among the world's top 15 countries for the greatest concentration of millionaires per capita. However there are huge inequalities across the Middle East and an unequal distribution of wealth amongst oil exporting countries and non-oil countries. This is compounded by large youthful populations with high levels of unemployment, which account for the daily hardship of large parts of the Middle East.

The development of social philanthropy across the Middle East has arguably been enhanced by the Arab diaspora which has facilitated the transfer of ideas, capital and people to their countries of origin.

One such endeavour is the Arab Foundations Forum ("AFF"). The AFF was established "out of the need for a networking structure for foundations in the Arab region to strengthen the capacity and infrastructure of strategic philanthropy." It serves as an advocate for more effective principles, practices, programs and policies and whose initiatives include bringing philanthropists together to share information, learn from, and support one another to reinforce social development through mobilizing private capital for public benefit.

Removing the veneer

Philanthropy as a practice is embedded in religious ideology, social culture and economic reality across the Middle East and has a longstanding and large-scale history. While the wealth of many of today's major philanthropists derive from sources rather different to their predecessors, their projects reflect partial continuity. Reconciling the contemporary challenge of balancing traditional elements of orthodoxy, conservatism, tradition and continuity with the processes of secularisation and modernisation is fundamental to building lasting success. Philanthropy across the Middle East is at the same time identifiably local and emphatically global.

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Right Giving, the Right Way

by **Dr Yunus Sola**

Muslim Giving and Philanthropy remains one of the largest and most generous economies in the world. While recognizing that ad hoc giving within the Muslim community is a part of the culture, it also attracts suspicion and, for the most, reduces the value and impact of each dollar. While there has always been a historical focus and culture from within to tackle many basic social needs, creating an organized, institutionalized network for Muslim philanthropy has been elusive, until now.

This is the gap that World Congress of Muslim Philanthropy (WCMP), founded by Dr Tariq Cheema with Sheikha Aisha al Faleh al Thani of Qatar, the founding Chair, has been slowly filling over the last five years since its foundation. The WCMP is at the forefront of bringing a new approach and focus on strategic investment for a long-term infrastructure of giving to creating real change. Wealth inspired philanthropy is growing within the Muslim community and capacity to eradicate poverty and disease is growing too. But to reach this capability, Muslim giving needs to recognize the successes and address the failures head on.

The Academy of Philanthropy, an initiative of the WCMP has been inaugurated in London and Doha and the first Journal of Muslim Philanthropy is also about to be launched (academyofphilanthropy.org). The Academy provides best practice training and support for philanthropists, foundations, corporate giving as well as NGOs in a range of specialist areas with a view to creating a global and local view of Muslim philanthropy. One of the areas of work of the Academy is to challenge all giving where impact is at a minimal – be it small-scale donations or the work of foundations and trusts.

The Academy of Philanthropy has also started a think tank, 'Centre for Muslim Giving and Philanthropy' to develop the work of the WCMP. Of course all philanthropy is about hope and creating opportunity. Although there is a focus within the WCMP to improve the impact of Muslim inspired giving, the WCMP and the Academy works on behalf of all people and all communities of the world that need support, and that really does mean everyone, regardless of religion, nationality or gender.

As an illustration of the work of the WCMP and the Academy, in 2008 the WCMP convened world leaders, grant-makers, academics and practitioners of unique backgrounds and experiences and adopted 10 Guiding Principles for Muslim Giving.

1. The worldwide community of Muslim philanthropists should be proactive in

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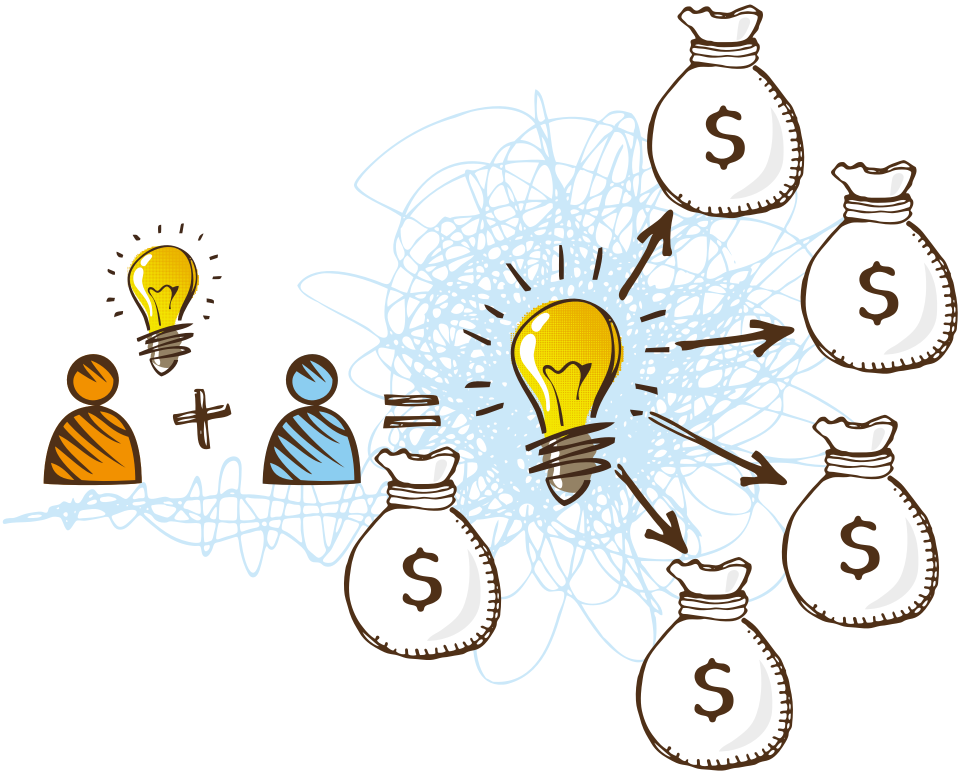
reaching out to the destitute and oppressed, irrespective of race or religious beliefs.

2. The work of Muslim grant-makers should be furthered strategically through enduring and sustained international engagement amongst key partners in critical areas of philanthropy.
3. Muslim Philanthropists should take a closer look at the potential new challenges ranging from environment to political conflict, and from Islamophobia to extremism, and set their giving priorities according to the newly emerging sociopolitical frontiers.
4. While compassion is the most powerful driving force behind helping victims of natural and man-made disasters, there is a need for capacity building, mutual cooperation and communication among Muslim humanitarian organizations for ensuring well-coordinated, low-cost and high-efficiency operations.
5. Developing benchmarks, such as establishing a clearing-house, creating best practices, and helping CSOs leverage the available capital and human resources through effective consulting and training, are vital for the growth of Muslim philanthropy.
6. Accountability and transparency of the recipient organizations should be a must-criterion in grant-making process. A mechanism that can educate and update grantees on compliance and cross-border giving needs to be explored and implemented.
7. Besides donating to the faith-based, educational and health institutions, it is essential to fund the non-conventional initiatives that promote research and innovation, leadership development, and social entrepreneurial advancement, environmental stewardship, sports, arts and literature, religio-cultural co-existence and effective response to the negative aspects of globalization.
8. Muslim giving needs to shift its focus from conventional to strategic thus making long-term impact rather short term through building endowments and pooled funds and incorporating strategic planning. As important as emergency assistance will always be, Muslim philanthropy must also engage the root causes of poverty and conflict and be ready to invest in longer term solutions.
9. Strategic partnerships and alliance building with mainstream philanthropies around the issues of common concern should be encouraged.
10. Networking among Muslim philanthropists through international conferences, regional and national donor roundtables, and retreats are essential to fostering collaborations and combating negativity often associated with Muslim giving.

Development Impact Bonds:
A New Role for Philanthropy in Development

by **Owen Barder and Rita Perakis**



Philanthropy has an important role to play in international development. Philanthropists are interested not only in giving money for development causes but in making targeted investments and forming effective partnerships to have the biggest possible impact. Philanthropists want to work with existing aid systems, but often find them to be too bureaucratic and cumbersome. Traditional donor agencies want to work better with the private sector, but don't have a clear picture of where the best potential lies.

This is why there is a lot of interest from both philanthropists and donor agencies in a new model for funding and designing development programmes: *Development Impact Bonds (DIBs)*. Based on Social Impact Bonds that are taking off in the UK and other developed countries, DIBs capture the best of what a range of development actors (including investors, philanthropic foundations, governments in developing countries, donor agencies, and service providers) can bring to achieving development outcomes.

In a Development Impact Bond, private investors put up the financing for interventions needed to achieve desired results, and work with delivery organisations to ensure that the results are achieved; donors and governments subsequently repay the investors if the interventions succeed, with returns linked to progress achieved. Investors manage the risk that results will be achieved; if interventions are not successful, investors could lose all or some of their capital, so they have both the incentive and the mandate to make sure that programmes are delivered as effectively as possible. If interventions do succeed, investors' returns are social as well as financial. Meanwhile, the public sector only has to pay for demonstrated results, and can avoid the need associated with up-front public financing to micromanage programmes.

The first Social Impact Bond, launched by *Social Finance* in 2010 to reduce recidivism among ex-offenders at Peterborough Prison, is beginning to show results that we think demonstrate why this approach is desperately needed in development. In the Peterborough SIB, investors are financing a range of interventions designed to prevent re-offending among a group of short-sentence prisoners. The UK Ministry of Justice published *preliminary figures* from the project's first year which show that, between 2008 and 2011, there was a 20% reduction in the frequency of reconvictions in Peterborough compared to the national average for similar prisons. The final results are not in yet and they depend on a more rigorously defined comparison group, so we don't yet know if investors will get their money back or how large any return might be. But we do know something about what's working differently in Peterborough: investors have put in place rigorous monitoring systems that provide real-time information about which interventions are working and which are not, and the programme is able to adapt as information is gathered, in ways that are not possible under typical publicly-funded programmes. An intermediary working on investors' behalf, in this case Social Finance, makes decisions about how to shift resources throughout the course of the programme and ensure that individual ex-offenders are receiving an optimal mix of services. Service providers have reported that they prefer this model of working because it allows them to focus on and respond to clients' needs.

In development, we are often dealing with complex issues for which blueprint solutions or externally provided plans do not work. DIBs provide an opportunity to test a new business model for development, underpinned by a new financial model, that can create space for local solutions to emerge and generate clear evidence of the results of development interventions. DIBs make development challenges investible opportunities for the private sector; they enable countries and governments to set clear priorities and invest in the things that people need; they give donors, who pay for outcomes, a chance to use funds more efficiently and focus on what is achieved rather than how money is spent; and they give service providers the long-term funding and the freedom to innovate that they need to build services around clients' needs.

Philanthropic foundations are taking an interest in a number of ways that they could help to pilot DIBs. Philanthropists can invest in DIBs directly with their own assets. They can also catalyze a market for this approach by providing subsidies, perhaps to intermediaries, for whom the up-front transactions costs of early DIB pilots might otherwise be prohibitive, or by supporting a community of practice that can share information and learning from the development of the first DIBs.

The Center for Global Development and Social Finance convened an expert Working Group whose report, *Investing in Social Outcomes,* lays out recommendations for all of the actors involved, as well as case studies of DIBs and considerations for how DIBs can be designed and the newly emerging DIB market can go forward. It is clear that this new model for collaboration between philanthropists and the traditional aid sector has tremendous potential to create ways of working that get to the root of many of the challenges of delivering services and bringing about change in developing countries.

Owen Barder, *is a senior fellow at the Center for Global Development and Director for Europe. Prior to this Barder held various senior civil servant roles in Britain including roles within Her Majesty's Treasury and the Department for International Development. Barder is member of the Advisory Group of Twaweza, the Board of Publish What You Fund, and a member of the UK Government International Development Sector Transparency Panel. He writes a personal blog at http://www.owen.org/blog and hosts a development podcast at http://DevelopmentDrums.org. Follow him on Twitter @owenbarder.*

Rita Perakis, *is a program associate at the Center for Global Development working on innovative finance and results-based aid initiatives, including Development Impact Bonds and Cash on Delivery Aid. She is a co-author of the Quality of Official Development Assistance (QuODA) Asssessment. Previously, she served as a consultant for the Millennium Challenge Corporation and held positions with the Education for Employment Foundation in Morocco and the Council on Foreign Relations.*

Luxurious Indulgences Can Solve the Problems of Indigenous Populations

by **Dr. Mariya Ali**

The Maldives as it is known worldwide is glaringly different to the Maldives *(Dhivehi Raaje)* experienced by its islanders. To outsiders it is known for its islands with untouched white beaches, crowned by coconut palms, giving holiday makers the perfect place to detach themselves from the fast-paced life into a dream, surrounded by the serene sounds of splashing waves of the crystal clear blue waters. What the tourists do not see is that Maldivians also battle with high levels of child abuse, domestic violence, drug use and gang related violence. Yet the tourism industry has proved that it can be a solution to at least some of those problems.

Tourism in the Maldives began in 1978, started by two Maldivian entrepreneurs in association with an Italian investor, and today there are 98 island resorts. The tourism industry is a key contributor to government finance and the boom in this sector has helped raise GDP per capita from US$ 837 in 1988 to US$ 3,934 in 2011. But the gap between the rich and poor, urban and rural has widened and women have borne the brunt of social problems.

Despite the Maldives matriarchal past and powerful women rulers, women have come increasingly economically marginalised, taking up a child-rearing role with males as the main breadwinners. This is not just an economic problem. For example, on average 100 cases of domestic violence perpetrated on women are reported to authorities in the Maldives every year, yet research shows that women are more likely to leave abusive relationships if they are financially independent. Economic empowerment, economic self-sufficiency and financial literacy are vital for women's wellbeing.

The government of the Maldives had tried to address these problems in the past, working with the UN in initiatives to boost women's livelihoods through micro-credit schemes. Yet these initiatives were unsuccessful because they failed to address the underlying problems of women's lack of financial literacy and lack of access to the tourism sector as a market for their goods.

In 2010, when I was Deputy Minister for Health and Family, we tried again. But this time we brought together the UN, other parts of government (the Ministry of Tourism Arts and Culture and the Ministry of Economic Development) and, crucially, the tourism industry itself. The overarching aim of our initiative was to strengthen the relationship between the island communities and the tourist resorts, to establish demand for local products and services produced by women.

We chose the Maldives Northern Province as the focus of the project because it is the location of two of the most important historical sites in the archipelago. One is the former residence of the local hero *Mohamed Thakurufaanu,* who fought and defeated the Portuguese invaders in 1573. The second is the Mosque on the island of Matheerah that continues to be used to bless new fishing boats and safaris before they set sail for the first time. Our hope was that rejuvenating historical knowledge and introducing cultural tourism would not only create business opportunities but also stimulate interest among the inhabitants to reconnect with the historical identity of the region.

Dr. Mariya Ali *is Visiting Knowledge Exchange Fellow at Oxford Brookes University.*

Under the auspices of the project we brought together the Five Star resorts that operate in the Northern Province, (namely Waldorf Astoria Beach House, Cinnamon Island, Zitahli Resorts and Spa, Island Hideaway and Hilton Maldives Irufushi Resort and Spa) and local women leaders from government, business and NGOs. Many business ideas were presented by the local representatives ranging from local products made from coconut palms for spa products, provision of vegetables, poultry and eggs, tailoring services, and excursions that involved cultural shows or tours to heritage sites.

While these seemed feasible businesses, through the dialogue with the resorts we found that there were many challenges before the women could tap into these markets. The island communities, for example, lacked market information: knowledge about quality and the type of products and services, packing and transport to the resorts.

The solution came from collaboration between the community, the resorts and government. The resorts provided guidance and training on quality standardisation and the government created a supply and demand list to indicate the products and services that the resorts demand and what the locals can provide. Moreover, to improve interaction between the communities and the resorts it was agreed that there would be an appointed focal point from each community and each resort opening more opportunities for new business ventures. As a result, several resorts expressed commitment to forging new partnerships with local communities and strengthen the existing partnerships.

This project incorporated aspects of philanthropy and capitalism, as the initiative attempted to shift the dependence on donor money by using a small amount of grant funds to create opportunities and build self-sustaining systems. Moreover, this initiative brought the resorts out of the "social responsibility" charity mind-set to tackle the root causes, not the symptoms, of some of the Maldives social problems.

Pakistan Calling!

by **Anwar Akhtar**

Meet Agha. He told his story, as a street child who collects garbage and works hard to survive in Lahore, in one of the films featured in the RSA Pakistan Calling project that is reporting on the challenges that country faces and promoting the people looking for solutions. Filmed in Lahore's Ferozpor Road in 2010, it is not known what has become of Agha today.

Agha is, sadly, not alone. Pakistan has one of the world's largest populations of street children, estimated by the United Nations in 2005 to be 1.5 million, with an average age of 9. Probably now near 2 million. Most will die before their 18th birthday.

The deprivation faced by Agha and other street children is not an isolated problem in Pakistan. Over 60 million people in Pakistan live in poverty; half of adults, including two out of three women are illiterate; 1 in 11 children die before their fifth birthday; about 12,000 women die in childbirth every year; and half of Pakistan's children suffer from stunted growth, which affects brain development. The sectarian and terrorist organisations that plague Pakistan, feed on this poverty, alienation and despair more so than any supposed cause they claim to represent.

What we don't hear enough about either in the media, or international development circles, is the role that the civil society, welfare, education and human rights organizations of Pakistan have played in meeting human need and stopping Pakistan becoming a failed state. (It's certainly not been the military, religious, feudal and political elites that run Pakistan or some Western interventions in the region.) It is these informal welfare networks, that have just about prevented Pakistan from becoming a failed state.

I spent a day in Karachi recently with the *Azad Foundation,* which provides food, shelter, health care, education and counselling to Pakistani street children. It was a difficult day. I was given chapter and verse on how exploitation of children is built into the very fabric of how cities in Pakistan function, from refuse collection, to workshop and domestic labour, trafficking and street begging operations, run by powerful criminal networks with the state turning a blind eye.

The Azad Foundation was set up was a group by students, teachers and alumni of Karachi University that wanted to deal with social problems in Pakistan, such as the thousands of children stranded in the streets. They operate through limited project funding from donors and individuals. They can only help a tiny fraction of the street children of Pakistan. RSA Pakistan calling is working to increase the profile of the Azad foundation and raise awareness of the plight of street children in Pakistan.

As well as the Azad Foundation there are other incredible Pakistani organisations such as the *Edhi Foundation.* which manages hundreds of hospitals and ambulance fleets and The Citizens Foundation, which runs over a 1,000 schools in the poorest communities in Pakistan. Both organisations are funded primarily through individual donations from Pakistan and diaspora communities and are independent of the state. The Citizens Foundation has now, due to its excellence and track record, become recognised by agencies such as DFID and the Skoll Foundation who are now supporting its work.

Yet this voluntary social safety net is being stretched to breaking point. Pakistan is on course for a population of 360 million, in two generations – a crisis for Pakistan and the region unless there is significant planned sustainable investment in health, education, trade, commerce and infrastructure.

Pakistan needs a new generation of philanthropists to meet these growing needs. But Pakistan is a priority for few international donors. That is why I believe that the Pakistani diaspora has a vital role to play. The Samosa project *www.thesamosa.co.uk* was set up in 2010 by volunteers, including British Pakistanis to reflect and build activity in the British Pakistani community, supporting health and education work in Pakistan.

Many British Pakistanis are involved in groups such as *The Citizens Foundation* and many others especially the older generation support the Edhi Foundation. But we need to do much more. The British Pakistani community doesn't have a presence in international policy networks. Yet diaspora communities can bridge trade, economic development, and global networks between the West and developing South Asian communities and help conflict resolution.

The diaspora can do things that other NGOs cannot. For example, there is anger about minority rights issues amongst British Pakistanis. What is happening to Pakistan's minority Ahmadi, Christian and Hindu communities is heart-breaking. It is pure hatred, sectarianism, thuggery and a crime against humanity. The rule of law, civil rights

and equality are fundamental principles that no state has the right to withdraw. People need to speak up. The Samosa supports the Human Rights Commission of Pakistan to raise issues about the persecution of minority communities. Because many British Pakistanis have deep roots in villages in Punjab and Kashmir, via our parents and grandparents, our voices have weight and access in Pakistan, that others' simply do not.

The RSA Pakistan Calling *(www.thersa.org/pkcalling)* project is committed to engage the 1.2 million British Pakistani citizens on issues around human rights, development, education, welfare, conflict resolution and minority rights in Pakistan and link with the work that groups such as DFID, Oxfam and World Health Organisation are delivering.

We live in a globalized ever more inter connected world. Projects such as RSA Pakistan Calling can contribute greatly to health, education, economic and welfare development in Pakistan. A more prosperous and peaceful Pakistan also greatly benefits the rest of the world in terms of stabilizing the region, providing trade opportunities, and improving relations with the Muslim world. It impacts positively on education and integration in Britain, helping awareness about our history as part of the commonwealth, our historic links with South Asia and giving role models to young British citizens of the stories of incredible social entrepreneurs and welfare organisations working in Pakistan.

We have made a good start with the support of the RSA, we now need to do much more and we need support. Pakistan is calling. Please listen.

Anwar Akhtar *is the Director of The Samosa, a culture and politics website with a focus on Britain and South Asia and helped set up RSA Pakistan Calling www.thersa.org/pkcalling*

He is also an Associate of www.urbed.coop, a Manchester based regeneration practice. He was previously Director of www.richmix.org.uk.

Giving Can’t Save the World

by **Paul Polak and Mal Warwick**

Since the global fight against poverty began gathering steam in the years following the Second World War, the rich nations of the world have invested two-and-a-half trillion dollars in “development” in the form of philanthropy or overseas development assistance. Yet there are still 2.7 billion people in the world who live on two dollars a day or less—more than the total population on earth when the global fight against poverty began.

Undoubtedly there have been massive advances in health and life expectance and impressive gains in literacy. However, despite ongoing efforts to persuade the public that poverty is disappearing, it’s patently obvious that it’s not. Why? The answer, in part, lies in the magnitude of the effort. That $2.5 trillion averages out to less than $40 billion a year over the approximately 65-year duration of what is sometimes called the “war on poverty.”

We assert that the major players in combatting poverty—the UN, the World Bank, nonprofits, faith-based organizations—have largely failed for six principal reasons:

(1) nearly all anti-poverty programs have been planned from the top down by people wearing suits in air-conditioned offices, an approach long well known to be both inefficient and ineffective;

(2) poor people themselves have only rarely had the opportunity to speak for themselves about their needs and aspirations;

(3) a huge proportion of the money invested has in reality been directed to economic development programs designed to grow developing nation economies and not into grassroots-level projects involving poor people themselves;

(4) much of the funding pays for giveaway programs and equipment left untended, failing to recognize that poor people must invest their own time and money to lift themselves out of poverty;

(5) a huge share of so-called “foreign aid” has been directed toward the purchase of goods and services from donor countries; and

(6) corruption and military-related “development” expenditures have drained away a staggering proportion of the available funds.

We believe that the failure of traditional efforts to end poverty represents an *opportunity* for entrepreneurs, investors, and existing businesses to open new markets, gain new customers, and make big profits—while simultaneously transforming the lives of those 2.7 billion people and bringing them fully into the 21st-Century market economy by creating jobs and putting more money into their pockets.

Our conclusions are grounded in Paul Polak’s more than three decades of experience working directly with farmers living on $2 a day or less in places like Bangladesh, Zimbabwe, and Nepal. He and his colleagues in the organization he founded in 1981, International Development Enterprises (IDE), have helped 20 million people lift themselves out of poverty using a pioneering market-based approach—selling them products and services at affordable prices that enable them to multiply their income from the land while supporting local manufacturers, sales, and distribution networks. It was Polak and his colleagues in IDE who commercialized the foot-operated treadle pump for irrigation, now at work on more than three million small farms around the world, as well as drip irrigation systems for farms with one acre or less and other now widely adopted technologies.

We're convinced that entrepreneurs and existing businesses can themselves successfully enter the $2-a-day market through an approach we term zero-based design, a practical, step-by-step method for designing, marketing, and delivering new products and services for the bottom billions *on a global scale*. Analogous to zero-based budgeting in which the process starts from scratch without preconceptions or assumptions, zero-based design encompasses eight key concepts:

Listening. Don't look at poor people as alms-seekers or bystanders to their own lives. They are rational customers who make purposeful choices in how to support their families. Always set out by listening to understand thoroughly the specific context of their lives—their needs, their wants, their fears, their aspirations.

Transforming the market. Think like Steve Jobs or Akio Morita ("I don't serve markets. I create them!"). Your goal is to put a dent in the universe. A transformative new market will mimic the chain reaction in an atomic explosion, releasing energy to create yet bigger explosions. With success, your business will change economic behavior, create huge numbers of new jobs, and transform the character of villages around the globe.

Scale. Design for scale from the very beginning as a central focus of the enterprise, with a view toward reaching not just thousands or even millions of poor people but hundreds of millions. Scale isn't mysterious; it's fundamentally a mechanical process. You begin with a pilot project in, say, 50 villages. With success, you roll out to 50 villages per month, then to 250 per month, and later to 500 or 1,000, building on what you learn as you go. You always keep in mind that you've set out to design a global enterprise—a profitable and sustainable working system, not simply a product or service.

Ruthless affordability. Design and implement ruthlessly affordable technologies and supremely efficient business processes, offering prices not just 30 to 50 percent less than First World prices but often an order of magnitude less, or 90 percent.

Private capital. Design for a generous profit margin so that you can energize private-sector market forces, which will play a central role in expanding any venture—drawing from a pool of trillions of dollars in private capital rather than the millions typically available for philanthropic or government-sponsored programs.

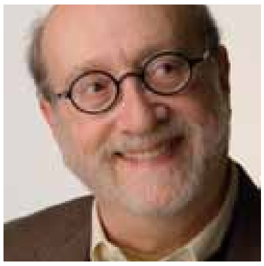
Last-mile distribution. Design for radical decentralization that incorporates last-mile (even "last 500 feet") distribution, employing local people at local wages in a marketing, sales, and distribution network that can reach even the most isolated rural people.

Aspirational branding. This is even more critical for $2-a-day markets than for those serving the top 10 percent. Without aspirational branding that generates in buyers' minds an appreciation for its most widely appreciated benefits and attributes, Coca-Cola is just flavored, fizzy sugar water, and a Mercedes is only a high-priced car. Branding convinces us that paying a premium for these products will make our lives more rewarding.

Jugaad innovation. The Hindi term jugaad connotes improvisation, working with what you have, and paying unflinching attention to continuous testing and development. A cynic might call it simply ingenuity.

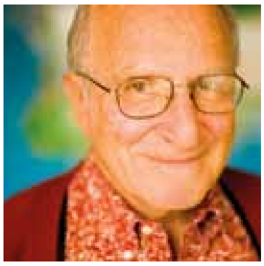
By employing zero-based design, entrepreneurs or existing businesses can build huge new enterprises that span borders throughout the Global South by taking advantage of any one or several of the numerous large-scale opportunities that characterize the $2-a-day market:

- More than one billion rural people who make their living from agriculture are potential customers for income-generating tools and strategies.
- At least a billion poor farmers around the world lack access to affordable income-generating tools such as small-plot irrigation, information on how to farm better, and access to markets for the crops they grow.



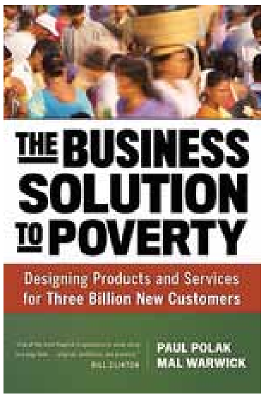
***Mal Warwick**, is a social entrepreneur, impact investor, philanthropist, and author who lives in California.*

Photo credit: *Nancy Jo*



***Paul Polak**, widely regarded as the father of market-centered approaches to development, is the founder and chairman of Windhorse International.*

More information is available at www.businesssolutiontopoverty.com and www.paulpolak.com.



- At least a billion poor farmers lack access to crop insurance, and even greater numbers have no access to health and accident insurance that could lessen their financial challenges.
- As many as 950 million people in the world go hungry, and an equal number lack access to affordable nutritious foods.
- More than a billion people live in rudimentary shelters, constituting a ready market for $100 to $300 houses with market and collateral value that could start them on the road to the middle class.
- At least one billion people have neither toilets now latrines.
- More than one billion people have no access to electricity.
- One billion or more don't have access to decent, affordable schools.
- A minimum of one billion people lack affordable and professional health services.
- At least one billion use cooking and heating methods that make them sick and pollute the air.

Huge opportunities exist for innovative, affordable products and services in each of these areas—and many more. By gaining just a ten percent market share, a business that enters one of these billion-plus markets can attract at least 100 million customers, generate $10 billion in annual revenue, and realize handsome profits—within ten years of starting out.

To demonstrate the feasibility of this approach and jump-start this revolution in business, Paul Polak is setting up four new companies:

Spring Health: Safe drinking water for the rural poor

Already in commercial rollout in eastern India with an all-Indian staff of 110, Spring Health purifies polluted water through electro-chlorination in 3,000-liter tanks erected at tiny village shops and sells it at a comfortable profit for the company, shop owners, and delivery staff. Eighty percent of customers opt to have this affordable clean water delivered directly to their homes in 10-liter jerrycans on rickshaws or motorized rickshaws staffed by drivers hired by the shopkeepers.

Sun Water: Affordable solar electricity for irrigation, lighting, and small electrical tools

Sun Water is working with volunteer scientists and engineers from Ball Aerospace to design a proof-of-concept prototype of a 2,000-watt solar PV pumping system that can be sold at $1,500, less than a third of the retail cost of a similar conventional PV system available in India today.

Biocoal from the Village: Transforming agricultural waste into marketable biofuels

This company will pay farmers to collect and deliver biomass from their fields to a nearby village, where local entrepreneurs will operate furnaces of a revolutionary new low-cost design to produce high-value, low-carbon-emission fuel that can be shipped to coal-fired electricity generating plants in China or Europe to reduce their carbon footprint and gain them carbon credits.

Success International: Offering an alternative in rural education

What passes for primary education in much of the Global South is sadly inadequate, especially in rural areas. Absenteeism among teachers is widespread, and grossly under-qualified teachers sometimes teach nothing at all. Private school systems are starting to flourish, mostly in urban areas; Success International will work in the countryside, delivering effective primary education for six or seven dollars a month per pupil.

We envision a time when hundreds of innovative multinational companies will thrive in the $2-a-day market, extending the benefits of the market to the whole human race—and ending the scourge of poverty forever.

Cash to the Poor:
Pennies from Heaven

from **The Economist Magazine**

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Illustration by John Holcroft http://www.johnholcroft.com/

Giving money directly to poor people works surprisingly well. But it cannot deal with the deeper causes of poverty.

SOME unlikely things combined to change Gabriel Otieno Anoche's life. A satellite passing over east Africa took pictures of his roof. Some keen-eyed people in the Philippines, monitoring the satellite data remotely, spotted the roof's lack of luminosity, showing that Mr Anoche lived under thatch (not tin). In western Kenya, that is an indicator of poverty. Then Google and Facebook contributed money to Give Directly, a charity which hands out no-strings-attached cash to the poorest people it can find.

The 25-year-old carpenter knew nothing of this until he came home one day to find that strangers had given his wife a mobile phone linked to a bank account. Next came a $1,000 windfall, which they were free to spend on whatever they liked.

The idea sounds as extraordinary as throwing money out of helicopters. But this programme, and others like it, are part of a shift in thinking about how best to use aid to help the poorest. For decades, it was thought that the poor needed almost everything done for them and that experts knew best what this was. Few people would trust anyone to spend $1,000 responsibly. Instead, governments, charities and development banks built schools and hospitals, roads and ports, irrigation pipes and electric cables. And they set up big bureaucracies to run it all.

From around 2000, a different idea started to catch on: governments gave poor households small stipends to spend as they wished—on condition that their children went to school or visited a doctor regularly. These so-called "conditional cash transfers" (CCTs) appeared first in Latin America and then spread around the world. They did not replace traditional aid, but had distinctive priorities, such as supporting individual household budgets and helping women (most payments went to mothers). They were also cheap to run.

Projects such as Give Directly in Kenya are the latest elaboration of these ideas. Their designers saw that CCTs had boosted household incomes, and asked whether extra conditions, such as mandatory school attendance, were necessary. They also argued that, if CCTs were cheap to run, unconditional cash transfers (UCTs) would be cheaper still.

Now enough of these programmes are up and running to make a first assessment. Early results are encouraging: giving money away pulls people out of poverty, with or without conditions. Recipients of unconditional cash do not blow it on booze and brothels, as some feared. Households can absorb a surprising amount of cash and put it to good use. But conditional cash transfers still seem to work better when the poor face an array of problems beyond just a shortage of capital.

When Give Directly's founder, Michael Faye, went to traditional aid donors with his free-money idea, he remembers, "They thought I was smoking crack." Silicon Valley, though, liked the proposal—perhaps because Give Directly is a bit like a technology start-up challenging traditional ways of doing things (in this case, aid). Google contributed $2.4m; Facebook, $600,000.

The charity relies heavily on technology. It crunches census data to identify Kenya's poorest districts, including Mr Anoche's home village of Koga, near Lake Victoria. It outsources the time-consuming job of distinguishing tin roofs from thatch to a web service called "Mechanical Turk", which breaks big jobs into small parts and assigns them to jobbing freelancers around the world. Field workers visit the villages with GPS devices to register beneficiaries and distribute the cash via M-Pesa, Kenya's mobile money-transfer system.

Mr Anoche's first move on getting his windfall was to buy a new roof. Not only is thatch leaky, but it also needs to be replaced twice a year, at $40 a time.

He spent half the money on his home, and half on timber and chickens. Those two businesses now turn a monthly profit of nearly $90. "If you've got the money and the mindset," he says, "you can change your life."

Of course, not all the money has gone on things that make development economists happy. Sitting on a rough bench in his moonshine bar in a banana grove, a tipsy Bernard Okumo says his wife used her windfall to bail him out of jail, where he was facing a murder charge. But the first independent study of Give Directly's methods, by the Massachusetts Institute of Technology's Johannes Haushofer and Jeremy Shapiro (who is a former board member of Give Directly), suggests this sort of spending is unusual. In randomly selected poor households in 63 villages that have received the windfalls, they say, the number of children going without food for a day has fallen by over a third and livestock holdings have risen by half. A year after the scheme began, incomes have gone up by a quarter and recipients seem less stressed, according to tests of their cortisol levels.

The story is incomplete. In the nearby market town of Randago, which is now surrounded by communities flush with cash from Give Directly, the locals are bemused. Some think the money comes from Barack Obama: the American president's father was a member of the same Luo tribe. The Kenyan scheme is unusual (donations are huge by local standards) and only three years old. Over a one-year period, income gains are hardly surprising.

Still, this is not the only cash giveaway. A trial in Vietnam in 2006 gave one-off handouts to 550 households; two years later, local poverty rates had fallen by 20 percentage points. The scheme was dubbed "cash for coffins" after elderly recipients spent the money on their funeral arrangements to save their children the expense.

A different scheme has been running in northern Uganda for four years. The government gives lump sums of around $10,000 to groups of 20 or so young people who club together to apply. Chris Blattman of Columbia University, New York, who has studied the programme, calls it "wildly successful". Recipients spent a third of the money learning a trade (such as metalworking or tailoring) and much of the rest on tools and stock. They set up enterprises and work longer hours in their new trades. Average earnings rose by almost 50% in four years.

This scheme has a condition: applicants must submit a business plan. But it highlights the virtues of no-strings grants (UCTs). They work when lack of money is the main problem. The people who do best are those with the least to start with (in Uganda, that especially means poor women). In such conditions, the schemes provide better returns than job-training programmes that mainstream aid agencies favour. Remarkably, they even do better than secondary education, which pushes up wages in poor countries by 10-15% for each extra year of schooling. This may be because recipients know what they need better than donors do—a core advantage of no-strings schemes. They also outscore conditional transfers, because some families eligible for these fail to meet the conditions through no fault of their own (if they live too far from a school, for instance).

Does this mean that governments are wasting time and money by monitoring and enforcing conditions, when handing over cash would be just as good? Not so fast. Perhaps because cash is all-important to unconditional schemes, they tend to be more generous and expensive than CCTs. The grants of the Kenyan programmes, for example, are the equivalent of two years' local income. In contrast, the stipend of the world's biggest conditional scheme, Brazil's Bolsa

Família, is worth 3% of average Brazilian incomes. For $1,000, therefore, you could help one poor Kenyan a lot, or three poor Brazilians a bit—even though Brazil is a far more expensive country. Which is better? The answer depends more on the recipients than on the programmes: whom do you want to help and what problems do they face?

Moreover, CCTs can focus on something which UCTs leave to chance: helping the next generation. Healthier, better educated children earn more throughout their lifetimes, so the requirement to attend school or clinics should cut future poverty. UCTs aim to reduce poverty now. So conditional and unconditional schemes are not always comparable. That said, a lot of effort has gone into making comparisons, and the results are now emerging. CCTs have their drawbacks but—at least where governments are concerned, and if you take a broad definition of poverty reduction to include health and education—they usually do a better job.

The biggest conditional transfers, Bolsa Família and Mexico's Oportunidades, are credited with cutting poverty and boosting literacy in Latin America's largest countries. They have helped tens of millions, not tens of thousands: a vast weight of evidence supporting CCTs' effectiveness.

A smaller programme in Ghana offers a contrast to the Ugandan scheme that boosted training and enterprise growth. The Ghanaian programme gave small sums ($120) to a random selection of business owners, some unconditionally, some requiring the owner to buy something for his or her firm. The conditional benefits proved more useful: profits at firms that got such payments were twice as high after three years as at firms that got cash with no strings attached. In contrast to the Ugandan experience, the women who started with the least (whose firms had the lowest profits) did worst. The big beneficiaries were women whose profits were high at first. In Ghana, just handing over money was not the best way to help firms.

Sarah Baird of the University of Otago and three of her colleagues tried to look beyond individual cases to see if there were broader lessons. They studied 26 CCTs, five UCTs and four programmes that ran conditional and unconditional benefits in parallel (as in Ghana). They concluded that CCTs do more to raise educational outcomes than UCTs, and the stricter the conditions the better. School enrolment among families that got conditional grants rose by 41% on average in the various programmes; the increase among those that got unconditional grants was only 23%. If conditions were implicit or soft (eg, if recipients were simply encouraged to take children to school), enrolment merely rose by 25%. The big difference came when conditions were tough (eg, if school attendance was mandatory): that boosted enrolment by 60%, a big bang for the relatively few bucks involved.

Imposing conditions does have a cost. A programme in Malawi ran conditional and unconditional grants in tandem. Girls who got unrestricted cash were less likely to get pregnant and more likely to marry later than girls who got money for staying in school. But in terms of education, the contest was not close: conditional grants were more cost-effective and their benefits persisted after the payments stopped.

The string attached can hoist you up

Berk Ozler, an economist who has looked at cash transfers for the World Bank, concludes that CCTs work better when the problems go beyond mere shortage of cash: if families do not appreciate the real value of education, for instance, or if part of the benefit of doing something comes when everyone does it (vaccination is a case in point). In these circumstances, people left to themselves may not spend enough on education or health. CCTs help to overcome that.

They also have two political advantages over UCTs. One is that by requiring parents to send children to school, they also create pressure to improve educational standards; conditionality changes the behaviour of donors as well as recipients. And CCTs are almost certainly more effective than UCTs at mobilising support among the people who provide the money: attaching strings reassures middle-class taxpayers that the poor are not getting something for nothing. This may not matter if the donors are Google or Facebook; it does if the money comes from public coffers. For charities, though, the calculation may be different. The cost of monitoring conditions and administering aid programmes may outweigh the benefits that come from a sharper focus.

In short, UCTs work better than almost anyone would have expected. They dent the stereotype of poor people as inherently feckless and ignorant. But CCTs are usually better still, especially when dealing with the root causes of poverty and, rather than just alleviating it, helping families escape it altogether.

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b. "Educational Impacts and Cost Effectiveness of Conditional Cash Transfer Programe in Developing Countries: a meta-analysis." *By Juan Esteban Saavedra and Sandra Garcia*

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Passionate Collaboration?

by **Jon Cracknell**

The Environmental Funders Network's new report *Passionate Collaboration? (available at www.greenfunders.org)* represents a first attempt to 'map' the demand side of the grants market for environmental philanthropy. As such it complements EFN's Where the Green Grants Went series of reports that provide detailed analysis of environmental grants from UK foundations.

Passionate Collaboration? is based on survey responses from the chief executives of 140 UK environmental CSOs (civil society organisations). Many of the largest non-profit environmental organisations in the UK took part in the survey, along with smaller more specialist organisations. To our knowledge this is the first time a survey of its kind has been attempted. Foundations within EFN lent their names to the e-mail asking chief executives to take part, and this was important in boosting the response rate.

The report shows that grants from trusts and foundations accounted for 10% of income on average for organisations responding to the survey (compared to 20.6% coming in grants from central government or EU sources). Foundations supported the largest number of CSOs, with 124 of the 139 organisations having received at least one foundation grant in their most recent financial year. There was also a high dependence on foundation grants with 49 of the 139 organisations received 50% or more of their income from this source. In recent years the sector has become more dependent on income from corporate sources, raising important questions about independence and integrity. An analysis of the income of 107 of the organisations over the last five financial years showed a growth in real income each year until 2011/12, when income fell by 5.2%. The fragility of income in the sector was clear, with few organisations having achieved consistent year-on-year income growth, and many reliant on five or fewer sources of income.

Respondents to the survey were asked to describe "the advantages of philanthropic funding, compared to other forms of income for my organisation." The Word Cloud below provides a visual summary of the results.

***Jon Cracknell**, oversees the philanthropic activity of the family of the late Sir James Goldsmith, and is actively involved in networks of environmental foundations both in the UK and across continental Europe.*

Key advantages of philanthropic capital

Chief executives valued the ‘unrestricted’ nature of much philanthropic funding, which gave their organisations flexibility to meet core costs, build capacity, and invest in developing new ideas. ‘Independence’ was also seen as important, allowing organisations to criticise both government and or corporations. Foundation funding was of particular importance for organisations engaged in policy advocacy. Relationships with foundations were also strongly valued by grantees – in addition to money, foundations often provide valuable advice, support and contacts.

The survey also asked chief executives which environmental organisations they felt accomplished the most, given the resources at their disposal. The same question was posed to EFN members in EFN’s annual membership survey. Greenpeace UK topped the list for both foundations and CSOs, with Friends of the Earth and the RSPB tied for second place in the CSO responses. Seven organisations made it into both the top ten CSOs ranked by foundations and the top 25 ranked by their peers, suggesting that foundations and their grantees have a similar understanding of effectiveness. Information on the attributes of effective organisations can be found in the report.

Funders and grantees also agreed on some of the challenges facing the sector, although foundations saw more of a need for CSOs to focus on messaging and communications, and also called on CSOs to step up their engagement with the business sector. Both groups agreed that more effective collaboration between CSOs is needed, although the barriers to this, not least increased competition for dwindling funding, were clearly articulated.

EFN’s hope is that funders will respond to the needs identified by CSOs, including the need for increased skills in relation to finance and economics, leadership and organizational planning, lobbying, and strategic communications. EFN plans to work with both foundations and environmental CSOs in the coming months to look at ways in which foundations can use their resources to increase the sector’s impact. Please contact pulse@greenfunders.org if you would be interested in joining this conversation.

Doing Better Through Innovation is the Best Route for Civil Society to Do the Most Good

by **Kurt Hoffman**

In this essay series three themes have been explored.

The first was that the doers and funders of social good (charities, individual and institutional philanthropists, and their expert advisors) have, for decades, been performed well below their full potential and passionate intent because charities are forced to rely on private, narrative-influenced, voluntary funding. The biggest losers from having charities and donors unwittingly trapped in this unique, systemic "prisoner's dilemma"[i] are, the neediest and most vulnerable.

the culture of civil society sector is to stick with long-established approaches that have well-documented shortcomings.

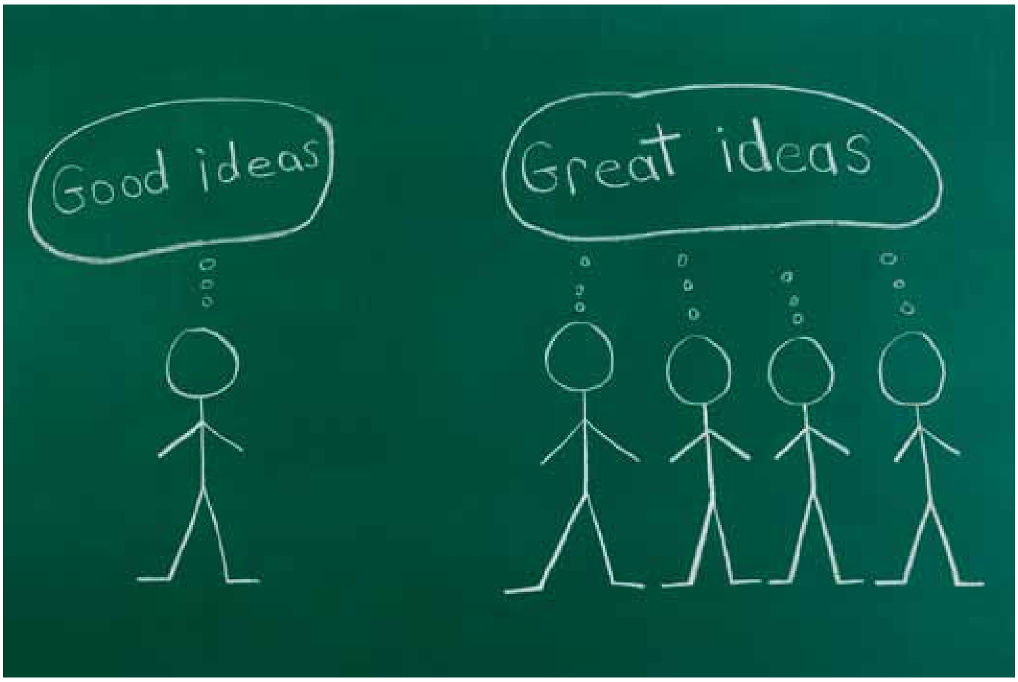
The second theme built on the reality that, without the invisible hand of (social return optimizing) "market forces"[ii], the strategic burden of prioritizing what social problems to tackle and how to solve them falls, in principle, to the "market makers" of civil society the donors. For understandable reasons, the giving public and philanthropists prefer to "follow their heart" and are predisposed *not* to engage in or take the lead in collective efforts to help society tackle its greatest and, in some cases, systemically threatening social problems. The big losers in this case are not just the most vulnerable but all of us.

The third theme highlighted that we have not only underinvested in acquiring a rigorous, empirical understanding of how civil society innovates to deliver the continual stream of social value add and impact we demand, but also we have failed to innovate. We know from decades of rigorous study that in the most productive sectors, those organisations that consistently generate and execute new ideas and continually deliver improved performance *over time* tend to be the most effective at achieving their and societies' goals. Private and public investment and support for innovative effort by producers is the single most important driver of the continual improvement of the welfare of citizens of the UK and every other mature industrial economy. [iii]

Civil society also plays a unique and critically important role, albeit different from the productive sector, in underpinning and improving human welfare. What we do not know is whether and how innovation and innovative effort features in this process. We do know, however, that the failure to innovate is handicapping its contribution to social welfare, in some areas. For example, the recent UK Humanitarian Emergency Response Reviewiv, identified that the culture of civil society sector is to stick with long-established approaches that have well-documented shortcomings.

"UK humanitarian practice (is) relatively similar to that of 20 years ago, there is no coordinated innovation agenda, the pace of change has been slow, older practices have failed to be widely adopted and innovation has focused on (relatively superficial) initiatives, projects and partners rather than building capabilities and cultures for innovation."

Kurt Hoffman is currently a Visiting Fellow at the Centre for Research in Innovation Management, University of Brighton and associate with Giving Evidence. Prior to this Kurt was chief executive of the Institute for Philanthropy, and the architect, and then CEO, of the Shell Foundation, which helped catalyse the emergence of the "impact investing" movement and the "shared value" model of corporate social investment.



The Review concluded that "UK humanitarian practice (is) relatively similar to that of 20 years ago, there is no coordinated innovation agenda, the pace of change has been slow, older practices have failed to be widely adopted and innovation has focused on (relatively superficial) initiatives, projects and partners rather than building capabilities and cultures for innovation."

There are good reasons to be concerned that, like the humanitarian sector, civil society more broadly, conditioned by operating for decades in a funding/performance context that did not reward or invest in innovation, is not now fit for purpose to cope with the unprecedented pressure placed upon it by a convergence of political, environmental, economic and social trends. We simply do not know with empirical certainty how best to help civil society respond to these challenges. Instead, what we do is keep asking donors for ever more money to spend on doing good without really being sure how best to deliver it!

In the final essay in this series, I want to stay with this critical issue of how to build innovative capacities in civil society by looking further, drawing on what we already know about innovative effort elsewhere and highlighting how we might begin to make changes.

This much we know…..innovation is a collective process and an interactive system.

Innovation is not like the cartoon image – a light bulb flashes above someone's head with a bright idea which then simply happens. Rather it is an extended process involving search, selection and implementation characterised by multiple iterations and complex interactions. Innovation in the productive economy has always been a multi-player game involving different, frequently networked actors, working in concert to create something new and of value. "Innovation in the productive economy has always been a multi-player game involving different, frequently networked actors, working in concert to create something new and of value."[vi]

civil society... is not fit for purpose

This picture stands in super-sharp contrast to the widely cultivated construct put forward by many (but with scant empirical justification) that the best form of social good comes from the bilateral interaction between philanthropists, operating as "hyper-agents" and as deliberate disrupters of the status quo, engaging exclusively with an elite pool of single purpose entities driven by a charismatic visionary or social entrepreneur who has had a eureka moment of insight into how to solve society's previously insoluble problems. I oversimplify of course, but having spent a great deal of time in recent years working with both types of player and their advisers, I can attest that these character and relationship types are alive and well, and widely present. Unfortunately, we really do not know whether their mode of operation enhances innovation and measurably contributes to sustainable social value creation or if it contributes to building the civil society's innovation capacities.

There is much more to learn from what we know about innovation elsewhere.

It is increasingly common to think about innovation not just as a network process but as taking place within an "ecosystem". This ecosystem analogy emphasises the interdependence of all actors in the environment who "co-evolve their capabilities and roles." This means the *collective health* of the actors who influence the creation and delivery of innovation is *fundamental to the success of any individual organisation*. And that they see their ecosystems helping them become more resilient to externally driven changes and much better able to achieve success and sustain performance. Policy agents and private and public sector investors, in mature economies, have acted on these insights to build the infrastructure to support innovation across the productive sectors. This is something that just does not happen in relation to civil society. And it should.

The most recent insights on "innovation ecosystems" place importance on improving the negotiation capabilities of players in the system; on seeking to build trust in these networks as a precondition for the diffusion of innovation; on the growing role of distributed infrastructures in a digital age; and, on ensuring policy makers and investors/funders/donors think less about *value chains* and much more about *value networks*.[vii]

Innovation ... has always been a multi-player game involving different, frequently networked actors, working in concert to create something new and of value.

At the sharper end of the innovation system, research has demonstrated the huge importance of "*users*" in the innovation process – as captured in the notion of user-led innovation.[viii] The concept of "users" has evolved from a focus on the structured learning interaction between productive entities and individual users, to the emerging role of "user communities" as key drivers of innovation. Linux software is a good example of a powerful innovation which did not originate in a corporation but instead is the result of a highly innovative community of users interacting and continuing to co-create robust solutions which have widespread commercial and social applications. As with the other insights mentioned, the role (or non-role as the case may be) of users within the civil society innovation process is a hugely important aspect that we really need to know a great deal more about.

And finally, research has shown that the output of so-called "open innovation systems" is greater than traditional closed systems, and that this depends on *constructing effective linkages* and *optimising the flows across the system* and exploring new ways of connecting people and idea.[ix] This approach has already surfaced via support from progressive US based institutional philanthropists such as the Rockefeller Foundation in those parts of global civil society looking for technical solutions to major poverty and environmental problems via innovation markets (such as Innocentive.com or ninesigma.com) which bring 'seekers' and 'solvers' together across online platforms.[x] UK philanthropists take heed, this sort of effort to invest significant funding in enhancing the infrastructure of innovation needs to happen in this country too as a matter of priority.

National Systems of Innovation

There is an influential body of research that has crystalized the vital role a "national systems of innovation" (NSI) can play in supporting the firm and sector originating innovation process.[xi] An NSI typically involves a multi-faceted, interconnected structure of public and private sector entities such as universities, policy researchers institutions research and development institutes, and technology entities, financial and educational institutions *and* the key users of their knowledge and resources. [xii] We know that deliberately designed and funded NSI in many countries has provided the infrastructure to enable value creation through innovation across the whole economy.

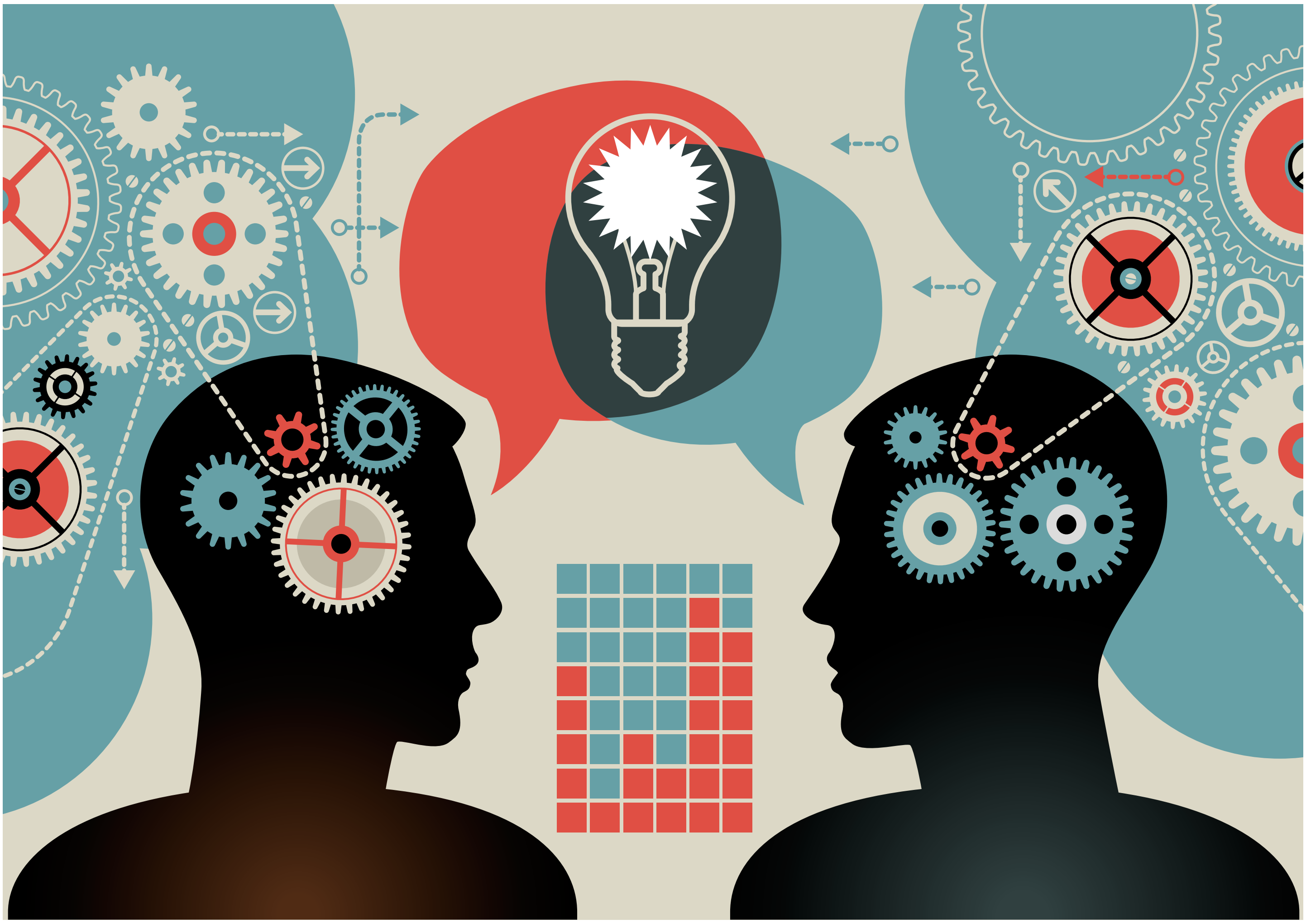
We have already begun

When it comes to doing something about the challenges of how best to use our resources to deliver the most social good to the largest number of needy people, we know that what really matters is the quality and quantity of resources deployed on innovation and performance improvement by all involved (civil society actors and funders).

But, compared to every other productive sector, we know little about the nature, drivers and impacts of innovation by civil society on the flow and beneficiaries of social good, that we cannot even begin to be systematic about designing and implementing policies and activities that will do good for the most people.

compared to every other productive sector, we know little about the nature, drivers and impacts of innovation by civil society on the flow and beneficiaries of social good, that we cannot even begin to be systematic about designing and implementing policies and activities that will do good for the most people.

While many may fear that funding and launching a concerted effort to close this social innovation knowledge gap is a daunting and costly prospect, the fact is, that what we already know about innovation elsewhere means that we already have head start about how to understand innovation in civil society and how to improve it. Building on this knowledge to design a



cost effective focused programme of policy research that could directly inform the policies and actions of government and private sector investors is relatively straightforward.

And the cost of such a programme would be hugely insignificant compared to the wasteful, inefficient and generally suboptimal way public and private resources are currently being allocated toward doing good.[xiii]

Indeed, my colleagues and I have designed a research project to get this process underway. It will take 18 months and cost less than £500K to complete. What is exciting is that we have begun to attract significant funding and will start the project in 2014. If you would like to learn more, please get in touch.

[i] *A situation where despite the best of intentions the charity actors wind up doing much less good than they could – see my first essay in the* Issue 1: Spring 2013 issue of Philanthropy Impact

[ii] *Where the pricing system/incentive structure objectively encourages all actors to allocate their money and effort to finding and then scaling the best ways of doing good as signalled by the expressed preferences of "end-users"/ beneficiaries (and not by a conflicted, artificial construct of "impact" cobbled together from questionable data by the charity or funders.*

[iii] *This point is made and documented throughout the empirical literature on public and private sector innovation. See,* Bessant, J. & Tidd, J. (2007) Innovation and Entrepreneurship. London: Joy Wiley & Sons Ltd.; Bason, C. (2010), Leading Public Sector Innovation, The Policy Press, Bristol University; Davila, Epstein and Shelton (2010), Making Innovation Work: How to Manage It, Measure It and Profit From It. Wharton School Publishing.

[iv] *Ashdown, P., (2010),* UK Humanitarian Emergency Response Review

[v] *See, for example,* USA and Canadian Grand Challenges; World Bank Idea Marketplace; SIDA, Innovations Against Poverty Program; USAID's Development Innovation Ventures

[vi] *See Professor Chris Freeman (1986),* The Economics of Innovation, Penquin

[vii] *The concepts of value chains/value networks offers really important insights into understanding the innovation ecosystem and should be a central feature of efforts to understand the drivers and improve the performance of civil society. References available from the author on request*

[viii] *References available from the author on request.*

[ix] *References available from the author on request.*

[x] *This 'eBay for innovation' approach not only amplifies the range of actors involved in search for new solutions (Innocentive has around 250,000 regular 'solvers' available to meet R&D challenges) but also broadens the fields of search in ways that could have great impact on the search for solutions to global social problems.*

[xi] *OCED (1997),* National Innovation Systems. Available online: www.oecd.org/science/inno/2101733.pdf

[xii] *The designed in functions of the NSI as a system typically involves*

- *Knowledge generation through R&D*
- *Competence building*
- *Financial support*
- *Provision of regulatory frameworks and measures*
- *Facilitation of information exchange*
- *Stimulation of demand and creation of markets*

Reduction of uncertainties and resolution of uncertainties (See Edquist, C., (2004), Systems of Innovation – perspectives and challenges, in Mowery, D., C., & Nelson, R., (eds), The Oxford Handbook of Innovation, Oxford University Press: Oxford)

Philanthropy Impact

Philanthropy Impact, launched in December 2012, incorporates the European Association for Philanthropy and Giving (EAPG), Philanthropy UK, and the Philanthropy Advisors Forum (PAF). It combines 27 years of sector knowledge and experience, creating a rich resource that helps make sense of and inspire philanthropy across bordes, sectors and causes. We do this by:

- creating a knowledge hub for philanthropy;
- producing thought leadership events throughout the UK and across Europe;
- providing regular news and information on philanthropy via our our magazine; and,
- advocating for regulations and policies that encourage philanthropy.

Members support our work through subscriptions and generous in-kind contributions. Our work is also funded through event fees and programme sponsorship as well as financial assistance from the Office of Civil Society within the UK Government Cabinet Office.

To join our unique international network of leaders in philanthropy and to review the benefits of membership visit our website (www.philanthropy-impact.org/members),
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Fondazione Lang Italia
Glyndebourne Arts Trust Ltd.
Great Ormond Street Hospital
Children's Charity
Hazelhurst Trust
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Independent Age
Institute of Cancer Research
Institute of Fundraising
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The Kew Foundation
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