THE ART OF MAKING BIG BETS
Philanthropy’s Latest Trends

RICHARD F. CHANDLER
ON THE RISE OF THE
SOCIAL INVESTOR

ROCKEFELLER FOUNDATION’S
DR. RAJIV SHAH ON TACKLING
TOUGH PROBLEMS

LEARNING LESSONS WITH
FORD FOUNDATION’S
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Social Investor was conceived to try to take things one step further by asking: beyond the practice of philanthropy, what are the different ways we can drive social impact?

From Philanthropy to Social Innovation

In 2017, the Chandler Foundation published Philanthropy Reimagined, a book designed to challenge individuals to push the boundaries of what philanthropy can accomplish in today’s world.

We hoped that, by exploring how philanthropists can engage in more meaningful and effective giving, we would be able to further the conversation about how we can all work together to better create shared prosperity.

Two years on, that idea of “furthering prosperity” has inspired us to launch this magazine. We have learned through our experiences that much more than charity is needed to solve many of the intractable problems we see in the world today. Hence, Social Investor was conceived to try to take things one step further by asking: beyond the practice of philanthropy, what are the different ways we can drive social impact?

Taking Big Bets

In this inaugural issue of Social Investor, we explore one possible way – taking “Big Bets”. We look at how a philosophy of investing narrow and deep has the potential to bring about large-scale, systemic change.

To do so effectively, writes the Chandler Foundation’s Founder, Richard Chandler, requires conviction and courage (p.57), while The Rockefeller Foundation’s Dr. Rajiv Shah reveals how taking risks has been integral to the foundation’s ability to tackle tough problems (p.33).

Our cover story features an in-depth interview with Dr. Rajiv Lall (p.69), whose latest initiative, Social Finance India (which he chairs), aims to channel capital into activities that have
a measurable social impact for the country. Proximity Designs’ Founders Debbie Aung Din and Jim Taylor, also tell the story of how the organization is reaping the benefits of a big bet made early on to understand the challenges of rural poverty in Myanmar (p.49).

**Standing on the Shoulders of Giants**
That said, as the bets get bigger so do the risks. Which, in the words of Ford Foundation India’s Pradeep Nair, makes the lessons that can be learned from history and past experiences all the more valuable (p.77).

The words “social investment” will inevitably mean different things to different people. In producing this magazine, our hope is that *Social Investor* will help you to discover what your definition of doing well while doing good is, and to realize, just as Andrew Carnegie and John D. Rockefeller did when they took big bets on libraries and sanitation (p.25), respectively, that the value of an investment should not be measured by its dollar size alone but, perhaps more importantly, for the change that it can generate.

Melissa Lwee-Ramsay
*Editor*
The Search for Social Impact

I embarked on my philanthropic journey in the early 1990s, armed with as many dreams as questions. When I started, the needs were great, the problems complicated, and the possible investments and solutions voluminous. Over the last three decades, the non-profit marketplace has become vastly more sophisticated and populated, yet the challenge of resourcing social change has become neither simpler nor easier. We continue to face unacceptable levels of poverty, illiteracy, disease, and violence, while the historical stalwarts of the social sector – multilateral and bilateral institutions – remain handicapped by bureaucracy and handcuffed by conventional thinking.

Yet the social marketplace also brims with innovation and optimism. Many individuals and organizations are embracing dynamic methodologies and metric-driven investment models, while the bull market in philanthropy continues: in 2018, Americans alone donated more than US$ 410bn to charity, a third-consecutive record year.

The Innovators: Millennials, Family Offices, and Technology Entrepreneurs

This wave of financial commitment has been accompanied by the widespread conviction that these resources should be used to create maximum social impact. In this season of innovation, success is no longer measured by how much
one gives or invests, but by what one achieves. Outcomes trump intentions.

This focus has given rise to a new generation wanting to make a difference: the social investors. To create outsized and enduring social impact, this new breed of investor is rethinking the borders and paradigms of traditional philanthropy.

Some social investors are embracing more strategic philanthropy, using their capital to address causes rather than treat the symptoms. They bring the dialect and tradecraft of financial investment and business management, recognizing that scalability and innovation depend on organizational structure, strategy, technology and systems, as much as passion and purpose. At the same time, financial investors are also converging into the space, pursuing environmental and social objectives alongside financial returns. Through impact investing these investors are bringing a greater awareness of social responsibility to corporate boardrooms.

Whether making for-profit or non-profit investments – or a blend of the two – these social investors are converging around a common vision: moving from “charitable giving” to “social investing.” Various called venture philanthropists, philanthropic investors, impact investors, or responsible investors, all embrace a common set of principles and practices. They take
calculated risks, operate with market-driven discipline, and above all, they seek outcomes that are anchored in a set of values linked to environmental, social, and governance (“ESG”) principles.

From Charity to Metrics-Based Philanthropy
My philanthropic journey began when “checkbook philanthropy” was still prevalent. This approach focused largely on how much one gave rather than what one achieved. Metrics on how non-profits performed and the results they produced were hard to come by – and often non-existent. With advice from the legendary investor and philanthropist Sir John Templeton, my brother Christopher and I began our journey in effective giving. We launched Geneva Global in 1997, the world's first philanthropic investment bank. We set out to answer, “Where would the incremental dollar of philanthropic giving make the greatest difference?” Geneva's inception coincided with a shift in donors’ and foundations’ mindsets – a move from measuring inputs to focusing on measurable social impact. It became apparent that a business-like approach to philanthropy, anchored in performance evaluation metrics, could help their giving become more effective.

A False Dawn at the Bottom of the Pyramid
Alongside the rise in metric-driven philanthropy was a movement to find scalable solutions to challenging social problems. In 2004, the late Professor C.K. Prahalad published *The Fortune at the Bottom of the Pyramid*, which argued that companies could both make money and help to eradicate poverty by serving the world's poorest people (those at the bottom of the economic pyramid, or “BOP”). Doing so would deliver both profits for the businesses that served the BOP – making the initiatives scalable and self-sustaining – as well as transformation for the communities where these businesses operated. Microcredit was among the first business models that seemed to live out this premise. Both Muhammad Yunus and the Grameen Bank he founded (which pioneered the concept of microcredit), were awarded the 2006 Nobel Peace Prize.

The promise of deep social impact using a business approach attracted many philanthropists, including myself. Philanthropic capital was – and remains – finite, and profits promised sustainability. Social enterprises to help the BOP appeared to be a powerful, scalable weapon in the fight against poverty. The excitement would eventually give way to a sobering reality of the challenges. Microfinance, in particular, would be racked with negative reports and political backlash, from excessive interest rates to suicide among indebted borrowers in India. A 2015 study by MIT's Abdul Latif Jameel Poverty Action Lab found that microcredit did not lead to transformative impacts on income or long-term consumption on average, although it helped households better manage financial choices. The large-scale businesses which have proven so effective at serving the middle class have faced greater struggles in sustainably reaching and transforming those at the bottom of the economic pyramid.

The Challenge of Inhospitable Marketplaces
Despite the challenges, the goal of achieving both social and financial return lived on and sparked new innovations.
Muhammad Yunus went on to champion the concept of “social businesses” that used a profit motive to achieve a social purpose. Former McKinsey executive Bill Drayton, philanthropist Jeff Skoll, and others helped champion the concept of social entrepreneurship that used business innovation to address social challenges.

My own experiences running low-cost healthcare and education businesses – across seven emerging markets from India to Indonesia – have given me a keen awareness of the challenges that come with operating in inhospitable marketplaces. Beyond the question of whether businesses can profitably serve the poor, there is also the reality of running a business hampered by endless red tape and rampant corruption. I learned that capitalism cannot work for the poor without the enabling conditions of effective government and a marketplace infrastructure that adequately facilitates business. [One of the most helpful things that the World Bank has done is to produce their annual “Ease of Doing Business” index. The link between marketplace infrastructure and economic vitality is self-evident.]

**Impact Investing: Shaping the Culture of the Financial Marketplace**

Coined in the philanthropic marketplace – at a gathering convened by The Rockefeller Foundation’s Bellagio Center in 2007 – impact investing was initially conceived as an avenue for philanthropists to make their capital achieve sustainable outcomes. It has since emerged from the margins and is influencing the culture of the financial marketplace, which is increasingly asked to achieve social returns alongside financial returns.

The momentum behind this movement, and the sophistication of the investments, have all accelerated in the decade since. According to the Global Impact Investing Network, the value of the impact-investing sector increased by an estimated US$ 114bn between 2017 and 2018 alone, and now comprises US$ 228bn in assets under management. This allocation, however, pales in comparison to the US$ 23tn – or a quarter of assets worldwide – which were managed and invested according to ESG factors in 2018, proving that there is vast potential for further market growth.

Banks, pension funds, financial advisors, and wealth managers are now increasingly making investments according to a scorecard which includes environmental, social, and governance factors, in addition to return on investment (“ROI”). Even the private equity group TPG has entered the fray. It launched The Rise Fund – the world’s largest impact investment fund – which invests its US$ 2bn fund in a variety of socially responsible businesses.
The dollar amount is only half the tale with impact investing. It certainly shows that socially responsible capitalism has made its way into the culture of the mainstream investment industry. But whether it can achieve transformative impact is another story. The Achilles’ heel of impact investing and the ESG movement is measurement. The subjectivity of the criteria – which are as diverse as climate impacts, job creation, employee diversity and so on – means that there is no simple measurement of impact that is as clean and elegant as ROI.

**Total Game Understanding in Development**

While the philanthropic marketplace has made good progress zeroing in on impact, many actors are still overly optimistic in their ability to create the change they want to see.

Since 1980, more than 1 billion people have lifted themselves out of extreme poverty. Philanthropy has played a role in this tremendous success story, albeit not a leading one. Private philanthropy and development assistance are valuable, but no country has become prosperous through aid and charity. Of those more than 1 billion people now free of extreme poverty, 800 million lived in China, whose development was powered by broader structural changes. This included policy reforms which created more vibrant marketplaces where businesses could take root and flourish.

Such lessons can illuminate a way forward for today’s social investors. Lasting solutions to the world’s major social challenges require holistic, multi-level approaches which engage government, business, and civil society. All pieces of the prosperity puzzle are important – when one is missing, the solution is incomplete. Communities, businesses, and government all have important roles to play in creating and sustaining inclusive prosperity. However, by recognizing the differences between the pieces, social investors are better able to fit them together, diagnose when one is absent, and realize their complementary strengths.
Philanthropy and Social Risk Capital
Notwithstanding the scalability challenges, philanthropy remains uniquely positioned to lead bottom-up, base of the pyramid efforts, providing risk capital and pioneering models to serve those beyond the reach of governments and markets. By providing basic healthcare, education, and skills training, philanthropic investments empower self-reliance and community well-being. According to a 2012 report by the Monitor Group (now Monitor Deloitte) in partnership with Acumen, “From Blueprint to Scale,” philanthropic support can play a catalytic role in helping innovative social businesses clear the “pioneer gap” hurdle, where few impact investors are willing to fund the early stages of businesses targeting the poor.

Is Governance the New Frontier in the Quest for Sustainable Prosperity?
History is clear: prosperity cannot thrive where there is weak governance, poor policy frameworks, or ineffective laws and legal systems. By building strong institutions and systems, creating smart public policy, and providing social safety nets, governments are the architects and stewards of societal platforms which deliver important public services. Governance initiatives are more fraught with complexity than delivering community programs and consequently attract significantly fewer philanthropic resources. But there are philanthropists – typically those familiar with the challenges faced in developing countries – such as Mo Ibrahim and Jorge Paulo Lemann who are leading the charge by focusing on improving governance.

Engine Room of Development: The Marketplace and a Vibrant Middle Class
A healthy and vibrant middle class is the engine room of prosperous countries. Middle classes are built by educated workforces and marketplaces which support and reward creativity, entrepreneurship, and risk taking.

Businesses not only meet market needs, they also create a virtuous cycle of employment, re-investment, and innovation. For example, Hoan My, the Clermont Group’s healthcare business in Vietnam, is the nation’s leading private hospital group. By providing quality, affordable healthcare to more than 3.7 million patients annually, Hoan My has raised national healthcare standards through a scalable private sector initiative.

Collaboration and Big Bets
The demands of a “Total Game” approach means that no one philanthropist or social innovator can expect to achieve outsized results by working in isolation. Fixing underperforming social systems or building business-friendly marketplaces requires a coordinated effort by all system participants.

An emerging trend to address social challenges through collaborative philanthropy harnesses the power of partnership. By pooling philanthropic capital and networks, a number of new funds are making big bets into projects and programs that go beyond simply fixing surface-level issues to address the underlying structural causes. They are designed and executed with cross-sector partnerships, involving both the government and the private sector, NGOs, and community groups.

Such collaborations have attracted big names and led to the investment of hundreds of millions of dollars.
The Partnership for Higher Education in Africa, for example, concluded in 2010 and included support from the Rockefeller and Ford Foundations, as well as the MacArthur and Hewlett Foundations. Co-Impact, a collaborative of which the Chandler Foundation is a member, pools the resources and expertise of a network of results-oriented donors that include The Rockefeller Foundation, Bill and Melinda Gates, Nandan and Rohini Nilekani, and Jeff Skoll. Working with social change leaders, governments and the private sector, Co-Impact tackles the structural causes of poverty and disease, and is aiming to improve the lives of millions of people.

These kinds of collaborations also help address an inefficiency across the philanthropic marketplace – fragmentation. Funders are understandably governed by their own agendas and ideologies, and spend time and resources finding opportunities to invest in. Meanwhile social change leaders, even highly successful ones, have to piece together disparate and often insufficient funding. It is not difficult to see that this fragmented landscape is inefficient – one simply has to imagine what a global investment team with a shared consciousness could achieve, versus one that does not regularly share its ideas and learnings. It is no accident that the great periods of creative flourishing and entrepreneurial innovation – from Renaissance Florence to Silicon Valley – have all been clustered in areas where ideas, capital, and talent could all collide and collaborate.

Hedgehogs and Foxes

The rise of the social investor highlights a widespread harmony of approach and vision in the field, underscoring a shift in focus from the traditional notion of “giving” to “social investing.” There is growing recognition that large-scale social impact requires innovation, collaboration, and a results-focused mindset.

A fragment survives from the ancient Greek poet Archilochus of Paros: “The fox knows many things,” it reads, “but the hedgehog knows one big thing.” The hedgehog, as the Pulitzer Prize-winning Yale professor John Lewis Gaddis describes, has one grand vision from which it does not deviate, while the fox is more attuned to risks and changes in circumstance, constantly adjusting and adapting. Mr. Gaddis argues that the best generals, politicians, and leaders have been guided by a clear purpose yet adjusted to circumstances as they arose – that they have been both hedgehogs and foxes, in other words. It is not a stretch to say that the best social investors will be as well.

The writer is the Founder and Chairman of the Chandler Foundation and the Clermont Group.
A Vision for the Social Investor of the 21st Century

Thinks BIG and Bets Big
Today’s social investor is an ambitious dreamer who wants to leave their mark on the world. They are motivated by audacious goals which create epic stories and leave lasting legacies.

Thinks Long Term and Adopts “Total Game” Approaches
A “total game” approach to the prosperity puzzle requires working holistically across the prosperity ecosystem. The question becomes how can bottom-up, community-focused initiatives be reinforced – and accelerated – by top-down governance ones? How does one go about investing in stronger national governance, influencing policy, and developing marketplace systems, regulations, and infrastructure? How can the power of technology and the creativity of the marketplace be better harnessed to efficiently deliver public goods, build stronger middle classes, and further prosperity for all?

Context and Culture Sensitive
An approach that works well in one community or country may flounder if transplanted to another. Social investors are wary of one-size-fits-all solutions, which fail to account for ground realities and cultural environment. This is a truth echoed by one of history’s great strategists, Sun Tzu. In The Art of War, he cautions that even the most well-equipped and well-prepared general who is “unaware of the nature of the ground … has gone only halfway to victory.”

Balanced Scorecards
As impact investing matures, social investors will develop scorecards to measure a range of social and financial outcomes.

Collaborative Partnerships
Reinventing and re-energizing social systems requires the participation and commitment of the leaders and organizations involved in those systems. In healthcare, for instance, meaningful solutions require the input of private-sector companies and public-sector officials; they must account for education and legislation, infrastructure, and culture. Social investors embrace this kind of collaboration not only in how they design programs, but also in how they fund and then implement them.

In the pursuit of impact, social investors will use both non-profit and for-profit models, with accountability for resources and outcomes. For example, the Omidyar Network describes itself as a “philanthropic investment firm,” providing grants while also making commercial and sub-commercial investments.
February 2018
New US tax law makes charitable donations less tax advantageous.

Brian Acton, Co-Founder of WhatsApp invests US$ 50m in Signal Foundation and joins as executive chairman.

March 2018
George Clooney says battling corruption will help end African conflicts.

March 2018
“Roadmap for the Future of Impact Investing” report finds growth of impact investing significant, but more is needed.

"Serious financial pressure with real bite is not only possible; it has proved effective in the past."
July 2018
Completion of the world’s first development impact bond (benefiting Educate Girls) yields a 15% return to investors.

May 2018
Bitcoin-only charity Pineapple Fund donated 5,104 bitcoins or US$ 55m to various nonprofit organizations.

April 2018
TED and its foundation partners launch The Audacious Project.

June 2018
Americans gave US$ 410.02bn to charity in 2017, crossing the US $400bn mark for the first time.

September 2018
Leonardo DiCaprio co-hosts gala with Emerson Collective to celebrate the 20th anniversary of his foundation, which has raised US$ 100m over the years.

September 2018
Jack Ma announces retirement from Alibaba Group to devote his time to education-focused philanthropy.

We wanted to focus on getting critical funding to those who could have the greatest impact.
October 2018
Paul Allen dies three years after receiving the Carnegie Medal of Philanthropy at the New York Public Library.

September 2018
Jeff Bezos announces US$ 2bn for homeless, low-income families and preschools.

“I want much of my philanthropic activity to be... at the intersection of urgent need and lasting impact.”

The Latest Reading List

Measure What Matters
How Google, Bono, and the Gates Foundation Rock the World with OKRs
John Doerr
April 2018

Lean Impact
How to Innovate for Radically Greater Social Good
Ann Mei Chang
August 2018
October 2018
Actor Chow Yun-fat pledges to donate entire wealth to charity.

$180 million

October 2018
China’s Tencent invests US$ 180m in Brazilian credit unicorn Nubank.

October 2018
Napster Founder Sean Parker promotes “Opportunity Zone” investment, which he considers to be “impact investing on steroids”.

Winners Take All
The Elite Charade of Changing the World
Anand Giridharadas
August 2018

The Purpose of Capital
Elements of Impact, Financial Flows and Natural Being
Jed Emerson
September 2018

Just Giving
Why Philanthropy is Failing Democracy and How It Can Do Better
Rob Reich
November 2018

The Prosperity Paradox
How Innovation Can Lift Nations Out of Poverty
Clayton M. Christensen
January 2019
In this interview, Bill McGlashan, Co-Founder and CEO of The Rise Fund, shares his vision on the power of impact investing and how it has the potential to solve big, complex problems.
Social Investor: What was the inspiration behind The Rise Fund?

Bill McGlashan: We created The Rise Fund because we believe that we need to harness the power of the private sector if we are to solve the big, complex global issues of our time. It will take an investment of US$ 2.5tn a year to reach the United Nations Sustainable Development Goals. That kind of capital can’t come from the public sector alone. Meanwhile, institutional investors hold some US$ 10tn worldwide, money that needs to be invested at scale. When Bono, Jeff Skoll, and I first discussed creating The Rise Fund, we started off by asking ourselves what it would take to bring impact investing to an institutional scale. What if we could attract that US$ 10tn to invest in impact?

We essentially posed two questions to ourselves and to the industry: first, was there a way for powerful institutional investors to engage in a more systematic, ongoing way in support of creating change? And secondly, how can we use the engine of capitalism to solve the big issues we are facing?

The key for us was to start with TPG Growth, the largest growth equity firm in the world, which is part of TPG, one of the largest private equity firms in the world. This structure affords us the scale, experience, and rigor we need to attract institutional investors, and gives Rise a level of integrity and discipline around measurement and reporting that can pass muster in an institutional capital world.

We also built a Founders Board of people who are key influencers in the impact world. For example, we’re working with Laurene Powell Jobs. She runs the Emerson Collective, which has 400 people focused on education and environmental sustainability. Richard Branson, who is deeply involved in renewables, is on our board, as is Mo Ibrahim, who is passionate about governance and impact in Africa.

What is The Rise Fund and how is it unique?

The Rise Fund is the world’s largest private impact fund. We raised US$ 2.1bn for our first fund, and now we’re raising our second. The central premise of the fund is that we are completely dedicated to driving uncompromised market-rate returns alongside measurable social and environmental impact, which is key for bringing institutional investors to the table. We don’t believe that there is any conflict between financial returns and impact. On the contrary, we believe they drive one another, a concept we call collinearity. We specifically seek to invest in businesses that generate impact through their core products
and services, so that the more the business succeeds, the more impact it generates.

The challenge is measuring that impact in a meaningful, rigorous, and standardized way, and this is a challenge that people in the impact space have been working on for many years. Every business has a social and environmental impact, whether positive or negative. To measure that, we look first at outputs – for example, if it’s a healthcare business, the output is how many patients it will serve. Then we ask, what is the social and environmental impact of those outputs? We use peer-reviewed, third-party data to connect outputs to specific impact outcomes – i.e. improvements in lifetime earnings, higher household spending on things like education and healthcare, longer lifespans.

In this way, we use research to predict the level of impact from the outputs of every business we invest in. We do a probability weighting, discount accordingly, and derive a single number that expresses the impact multiple of money for the investment, or IMM. We monitor the IMM throughout the course of the investment, and KPMG acts as an independent auditor to ensure that we actually deliver the impact we predict.
In trying to find a way to balance benefits for society with investment returns, what were some of the challenges you faced and key lessons learned? Part of growing something new is the knowledge that you’re going to face challenges. First, it is just hard to create and grow great businesses. That’s true across the board in growth investing, and it is even harder in impact investing because you have to be constantly diligent about tracking impact and making sure you’re not losing focus. Secondly, developing a measurement framework for impact has been a challenge. We had the advantage of being able to leverage the incredible work that others in the field had already started. Major foundations such as Rockefeller, Ford, J-PAL at MIT, and Hewlett, as well as universities like Chicago and Stanford, have created a portfolio of research connecting the dots between the output of a business and specific social or environmental outcomes.

Still, there is no standard, widely used framework for impact measurement, so we’re creating it from scratch. We need it to work across a diverse range of investments, and we need it to stand the test of time as well as the test of our investors’ diligence. So we are constantly testing, iterating, and evolving our approach and methodology.

As a result, what were some of the success stories that you can share that exemplify what the opportunities are for a fund like The Rise Fund? It is too early in the fund’s lifecycle to look at returns for our individual investments, but one thing that stands out to me as a sign of progress is that we continue to identify and invest in great opportunities, which we weren’t sure would be easy at the beginning. Finding great companies that are creating positive social and environmental impact is difficult, and it’s even more difficult when you start to look for companies doing it at the scale at which we can deploy capital. But we’ve made more than 25 investments – with more than US$ 1.8bn invested and reserved – in just two years. We’ve made investments in a wide variety of sectors (fintech, technology and data, healthcare, education, and clean energy) across multiple geographies: the United States, China, Africa, and Latin America thus far. We are building an incredibly diverse portfolio that few other institutions have.

For anyone that is looking to venture into social investing, what are some pieces of advice that you can share with them? First and foremost, you need to learn to be a great investor. Learn to build companies. That is the foundation that you must build on – if you can’t identify and build successful businesses, you will not succeed in driving impact through investing.

By helping Indian farmers to connect with larger markets, Dodla Dairy, which The Rise Fund invests in, is helping to create reliable income for rural farmers.
In Nigeria, The Rise Fund invests in Mines, a platform for consumer credit which makes it possible for companies to engage with consumers that are currently underserved by financial services.
Bill McGlashan is the Founder and Managing Partner of TPG Growth, the global growth platform of alternative asset firm TPG, which manages more than US$ 13bn in assets across a range of sectors including media, technology, and industrials. In 2016, Bill co-founded The Rise Fund, a US$ 2bn+ impact investment platform managed by TPG Growth, alongside Bono and Jeff Skoll. The Rise Fund is recognized as the largest impact fund ever raised and, as CEO, Bill oversees the fund’s mandate of achieving measurable social and environmental impact alongside competitive financial returns.

In 2017 and 2018, Vanity Fair named Bill to its New Establishment list of the 100 most influential people in business, politics and technology in recognition of The Rise Fund’s launch. In addition to TPG Growth and Rise, Bill co-founded the STX Entertainment movie and television studio, Evolution Media and Pharmanex. Bill serves as Chairman of the board of Fender Musical Instruments, and is a director of Brava, Creative Artist Agency (CAA), e.l.f. Cosmetics, Evolution Media, Gavin de Becker and Associates, HotSchedules, Seasoned, STX Entertainment, and XOJet.

Second, you need to focus on creating real impact that can you measure and that creates lasting positive environmental and social change. Lastly, and I think this cuts across everything, you need to be doing something you love and something that is part of your core investing identity. Do what you do well and what you’re passionate about.

Looking ahead, what sort of impact do you hope that The Rise Fund will have on the social/impact investing industry? About 70% of the capital that we raised for Rise came from entities that had never done impact investing before, but there is much more institutional capital that has yet to invest in an impact fund. By showing that there is no need to compromise returns to generate impact, we’re trying to create a paradigm shift in the mainstream investing industry. We hope that there will come a day when there’s no such thing as impact investing, because clients will always expect to see some sort of impact measure alongside the normal reporting of internal rate of return. Over the next few months, we’ll unveil the research collaborations that went into creating our impact measurement framework and start to make the methodology public, so it can service others who want access to that capability. Our goal is to support the entire impact investing field, because all of us need to work together to make real progress on the challenges faced by our world, today and in the future.

The Rise Fund’s investment in India’s Fourth Partner Energy is helping to reduce harmful emissions, as well as build the potential to cut energy costs.
The burgeoning impact investment industry continues to grow rapidly – both in size and potential – with the chance to make significant, lasting changes to some of the world’s greatest challenges. According to the Global Impact Investing Network, it doubled in value between 2017 and 2018 and now comprises more than US$ 228bn. Indeed, the industry may see an increase of hundreds of billions, perhaps trillions, of investment dollars in the coming years.

Despite its label, impact investing is far from uniform in its methodology and often finds itself polarized by an unhelpful question: is there a necessary trade-off between financial return and social impact?

One camp says yes, that maximizing one always comes at the expense of the other. The opposing side believes the reverse: that there is a positive relationship between the two, and that smart impact investments should achieve fully commercial, market-rate returns. The debate rages on to the benefit of nobody, scaring off a great deal of critical capital in the process.

In truth, there is a broad range of investment profiles – from commercial investments to philanthropic grants – and the relationship between financial return and social impact is more nuanced than the current paradigm is often willing to acknowledge.

Extreme views leave little space to explore the important middle-ground. It is well past time the impact investment industry did just that: put the “trade-off” debate to bed, and embraced a variety of capital that exists along a continuum of financial returns.

An Approach Informed by On-the-ground Results
This belief is neither ungrounded nor untested. Omidyar Network has been an active impact investor for more than a decade. In its early days, we believed that the only way to achieve large-scale impact was to build large commercial enterprises that could generate enough cash to support both organizational growth and market-level impact. But as we began investing more directly in early-stage companies...
targeting less advantaged populations in emerging markets, we began to notice a much more complex relationship between risk, return, and impact. Some of the hard-and-fast truths that guided our initial strategy were not leading to the kind of impact we sought, and we wanted to know why.

One thing, however, was clear: entrepreneurs in these communities faced tremendous, wide-ranging challenges, and they needed investors who would look beyond the financial bottom line. Critically, they needed both capital and patience, oftentimes in greater quantities than investors are normally comfortable providing.

What was becoming evident was that there was no one size fits all strategy: different types of impact required different financial returns expectations. In certain circumstances – pioneering a new business model, providing industry infrastructure, or influencing policy, for example – the market-level impact justified investments that may not yield a commercial rate of returns. While the majority of our portfolio remained dedicated to investments seeking risk-adjusted market-rate returns, this insight led to a diversified strategy that was based on a continuum of returns.

What Market-Level Impact Means
While it will always be important to invest in companies that provide direct value to their customers, it is critical that organizations demonstrating potential to affect market-level change – and these can often be higher-risk investments – are also funded. They often exhibit any of

“
It is well past time the impact investment industry put the “trade-off” debate to bed, and embraced a variety of capital that exists along a continuum of financial returns.

MATT BANNICK
In order to preserve rigor in our investment process, we highlighted four principles to help clarify the conditions under which we accept sub-commercial returns:

1. We learned that it is entirely possible for a company with limited financial success, to achieve significant impact by accelerating the development of a new high-impact market. This kind of market-level impact became the primary criterion for evaluating sub-commercial investments.

2. Sub-commercial investments function as subsidies. Because they have great potential to distort the market, they must be made with great care.

3. In certain circumstances, it is better to fund an enterprise that is striving for market-level change (even though the financial returns may be unexceptional) than it is to subsidize a grant-funded organization. The latter category perpetually needs additional funds to scale up.

4. Relaxing the return expectations does not in any way mean that investment evaluations should be performed any less thoroughly or rigorously.

Knowing and identifying these three features allowed us to build a framework whereby we could sensibly consider sub-commercial investments alongside commercial investments.

Each investment had varying expectations – regarding financial returns and market-impact – and though there is a great deal more complexity to it, the short of it is straightforward: with each investment, the greater the financial concession, the more compelling the market impact needs to be.

What We Have Learned

Our framework, though clarifying in a number of ways, remains far from perfect. As with any approach, it will benefit from being tweaked and refined based on the challenges we encounter. For example, we learned that predicting social impact is much more difficult – and different – than predicting financial return. Impact, generally, is a challenging concept to quantify, and it often occurs in unexpected and hard-to-measure ways. Financial models live easily on spreadsheets; impact metrics do not.

Another lesson: actual returns often vary wildly from the expectations that preceded them. This is, of course, to be expected, but it does not diminish the importance of using a framework before making an initial investment. It is also suggestive of another truth: few real financial benchmarks exist for early-stage investments in the regions and sectors where we invest – a challenge for reliably predicting how companies are going to perform.

Most importantly, simply because we have opened the door to sub-commercial returns, that has not lessened the rigor with which we assess our investments up front – consistency here is critical. Only high expectations of market impact justify making these riskier investments, and it’s vital to take care to avoid accepting sub-commercial returns just because we have a framework that allows for them.
Asking Better Questions

Good investors ask the right questions. However, whether or not there is a trade-off between social impact and financial return is not one of them. Not only is it both one-dimensional and limiting, it prevents the consideration of outcomes that include varying levels of success on both fronts. It also alienates capital, discourages innovation, and leaves no space to consider the valuable exchange of below-market returns for opportunities to produce an outsized market impact.

This approach is neither flawless nor unchangeable; quite the opposite, it is a work in progress. But in a polarized world, it is a few steps towards the middle – a space where dialogue, cooperation, and experience link arms to maximize impact and returns.

Broadening the Conversation

When we first introduced this framework in 2017, we heard from many investors that it was helpful in moving beyond the trade-off debate. Some even used it to more clearly articulate their role in the market, while others saw it as uniquely applicable to Omidyar Network’s flexibility in deploying capital and willingness to accept risk. Universally, however, we learned that there was a desire for a more nuanced conversation around the relationship between social impact and financial returns.

As a result, we worked with leading impact investors across geographies, asset classes, type of impact sought, and expected levels of financial returns to present their approaches to investing in Beyond Trade-offs, a curated series of perspectives published on The Economist’s digital platform at beyondtradeoffs.economist.com. Building on the insights of authors in this series, we hope to spur new learnings and collaboration to develop a more holistic framework that clearly distinguishes the different permutations of risk, return, and type of impact possible across capital markets.

Thinking Historically About “Big Bets” in Philanthropy

By Micah McElroy
By the time Andrew Carnegie died in 1919, he had given away, in today’s dollars, more than US$ 300bn. Carnegie remains an inspiration for many donors – notably Bill Gates – but modern philanthropists also tend to desire novelty. They venerate innovation and ambition in their giving, they want to experiment, disrupt, and take risks – to solve complex problems in ways that prior generations did not.

Yet history is replete with donors such as Carnegie, who pioneered innovative approaches to giving and dedicated considerable wealth to solving some of the world’s most challenging problems. The two examples explored here are more than a century old, but they still have much to teach – both their successes and their shortcomings. In particular, they suggest that the most successful social investments support structural changes – no matter how challenging or uncomfortable they might be – rather than funding “duct-tape” solutions. These may alleviate the symptoms caused by unequal structures, but leave the inequality itself untouched.

The Carnegie Libraries: A Grand Commitment to Open Knowledge and Self Help
Born in 1835, Andrew Carnegie gave away about 90% of his wealth before his death. The dollar sum of Carnegie’s philanthropy is staggering – equivalent to 2.1% of GDP of the US economy, the world’s largest – and the steel baron was a forerunner of later donors in his conviction that philanthropy should be run on business lines. For Carnegie, a rags-to-riches story, that meant ensuring that hardworking people had the opportunity to improve their own lives.

Perhaps no example of Carnegie’s philanthropy demonstrates his commitment to fostering self-empowerment more than his expansion of the world’s libraries. He donated over US$ 50m – more than US$ 1.3bn when adjusted for inflation – to build an infrastructure of literacy, creating 1,689 libraries in the United States alone and nearly a further 1,000 abroad. Libraries encapsulated Carnegie’s unwavering belief in self-reliance, as they yielded their knowledge only to those dedicated enough to study their collections. By stipulating that each library be free to the public,
THE SEWARD PARK LIBRARY

One of 65 New York Public Library branches funded by a donation from Andrew Carnegie, New York, 1911.
moreover, he ensured that no one be denied the chance of self-improvement on the basis of income. Built in rural and urban areas alike, the Carnegie libraries represented an unparalleled commitment to fostering open access to knowledge, initiating what has been called the “golden age of American libraries.”

The Carnegie libraries demonstrate that giving need not be disruptive or novel to be successful. Libraries were neither provocative objects of philanthropy in the 20th century, nor did local governments have to be convinced of their merit; state interest in public libraries coincided with Carnegie’s desire to fund them. Indeed, Carnegie’s aversion to funding private alternatives to public institutions also sets him apart from modern donors. He demanded – to the frustration of some – that town governments assume the long-term responsibility of funding and running each library he helped to create. His stipulation was born out of a desire to encourage self-reliance, but it also underlined his optimism that the public could be better stewards of philanthropic projects than the donors themselves.

While the Carnegie libraries deserve praise, they were also constrained by the grand vision that inspired them. In particular, Carnegie’s notion that philanthropy’s main goal was to foster self-reliance evaded serious consideration of the obstacles that people confront in upward social mobility. Encouraging African-Americans to read in segregated Carnegie libraries, for example, was at best an indirect, if weak, solution to the inequality enforced by the Jim Crow laws. Others saw the libraries as a distraction from the more contentious history of how Carnegie had acquired the wealth that made him a such a generous donor. Trade unionists in Pennsylvania, for example, reminded the public that Carnegie owed his fortune not to self-reliance alone, but to acts of violent strikebreaking and political power. They wanted higher wages, not more books.
Thinking Historically About “Big Bets” in Philanthropy

Don’t be afraid to give up the good to go for the great.

JOHN D. ROCKEFELLER
While the Carnegie libraries have left a lasting legacy around the world, they also represent an avoidance of the structural reforms that might have addressed the root problems that Carnegie hoped self-empowerment alone could accomplish.

**The Rockefeller Sanitary Commission: Simple Solutions to a Dire Problem**
The Rockefeller Sanitary Commission for the Eradication of Hookworm Disease, launched with US$ 1m from John D. Rockefeller in 1909, pledged to eradicate hookworm from the American South. The parasite had long plagued the region, thriving where inadequate sewage treatment, non-existent public health services, and poverty commingled. In 1911, the Sanitary Commission estimated that 40% of school-age children suffered from hookworm infections and 7.8 million Southerners harbored the parasite. Yet by 1915, the Commission had made significant reversals in the rates of hookworm infections, improving quality of life for hundreds of thousands.
The way in which the Sanitary Commission achieved its goals proves that big bets in philanthropy need not be complicated to succeed. Southerners contracted hookworm disease by walking barefoot on soil contaminated by feces, so the Commission established clinics to administer purgatives and instructed residents to wear shoes and dig privies. Such simple actions achieved immense results.

Like the Carnegie libraries, the Sanitary Commission also stands as an example of using philanthropy to bolster state capacity. In order to improve its legitimacy among Southerners wary of a Northern-based philanthropy, the Commission ran its educational programs through state and county boards of health. It also funded and staffed the boards, building the South's feeble public infrastructure. By supplementing the government's capacity to respond to future health crises, the Commission improved the odds that its initial investment would yield long-term results.

But the same public partnerships that allowed the Sanitary Commission to succeed in the short term, also led to diminished returns – and in some cases, negative returns – in the long term. In order to accomplish its aim, the Commission made concessions with southern elites who were resistant to any change that might jeopardize their wealth or weaken the structures upholding white supremacy. The Commission framed their intervention as one that would increase worker productivity, soft-pedaled the negative health effects of Southern mills, and evaded the issue of racism altogether. As Benjamin Soskis, co-editor of the HistPhil blog, notes, when the Commission dissolved in 1915, ceding its mission to the state, it left the inequities underlying the South's public health crisis unchallenged. Those inequities have festered into the modern day, instigating a resurgence of hookworm and extreme poverty in the same region that the Sanitary Commission once served. In places like Lowndes County, Alabama, many residents are so poor that they cannot afford a septic tank, suffering the indignity – and health risk – of having human sewage flush back into their homes.

What are the Best Investments in Philanthropy Today?

These early examples of ambitious, large-scale giving produced tremendous results, but they were also constrained by what they failed to address. Carnegie never intended to take on the structural impediments to upward mobility, encouraging individuals to lift themselves up. The Sanitary Commission backed away from addressing the uneven relations of power in the South that had worsened the health of the region’s poor. In the case of the Commission, that overlooked problem would come back to undo much of its work.

Among the many lessons that modern philanthropists could learn: Tackle the structures of inequality that Carnegie, Rockefeller, and many others could not. Making inequality an object of philanthropy entails risk, of course, because it may mean undoing the conditions that make large acts of philanthropy possible – a task akin to lifting the rock one stands upon. Jeff Bezos’s recent pledge to dedicate some of his wealth to philanthropy has provoked such calls,
imploring Bezos to remedy the unequal distribution of wealth that allowed him to become the world’s wealthiest individual. Foundations such as Ford and James Irvine have already begun to address structural inequality as one of their central focuses. They do not believe, as Carnegie once did, that inequality is a natural, unavoidable fact of life – and their initiatives acknowledge as much.

The history of Carnegie and Rockefeller also helps clarify what a significant investment means in philanthropy today. It cannot be measured by dollar size alone, but also must account for the social change it generates, and its ability to fix the structural issues – such as inequality – that caused the need for philanthropic interventions in the first place. That is a far more lasting, and meaningful, return on investment.

Micah McElroy is a doctoral student at Columbia University. His dissertation, tentatively titled The Reinventions of Philanthropy, studies the history of organized giving in the San Francisco Bay Area from World War II to the present. A large part of his research examines Silicon Valley’s influence on Bay Area philanthropy and its consequence for beneficiaries and local governments. He previously worked as the Assistant Managing Editor of the Emma Goldman Papers.
Dr. Rajiv Shah, President of The Rockefeller Foundation, explores what it takes to tackle tough problems and shape the future.

In 1913, The Rockefeller Foundation was chartered to fulfill an unprecedented and enduring mission: to promote the well-being of humanity throughout the world.

A History of Innovation and Impact
We were born at a moment of transformation, as breakthroughs in science and technology created the potential for rapid progress. And over the past 105 years of philanthropic innovation and impact, we have consistently brought together unconventional actors to solve the world’s toughest problems – working in collaboration with some of the most talented and passionate people, leveraging our resources along with our partners’ to take bold risks that have delivered profound and lasting impact for millions of people around the world.
For example, as innovations in medicine became more widely available, we worked hand-in-hand with communities worldwide to try and end hookworm, develop a groundbreaking vaccine for yellow fever, and pioneer modern systems of public health to benefit everyone. During the Great Depression, we brought together America’s leading economists to grapple with US poverty, which led to the creation of Social Security and financial stability for generations of Americans. And as hunger and famine gripped nations cut off from progress, we invested in international agricultural research, creating breakthroughs that ushered in a Green Revolution and fed more than a billion people.

More recently, our partners and grantees have continued to deliver results that matter. Together we helped New Orleans, New York, and cities around the world plan for and recover from devastating climate events. Our Smart Power India program and its partners are electrifying rural communities that lack reliable access to energy, helping to unlock economic potential and transforming the lives of vulnerable children and families. The Alliance for a Green Revolution in Africa, or AGRA, has helped to more than double average crop yields for millions of smallholder farmers. And last fall we launched Co-Impact, together with some of the world’s leading philanthropists, to create a new global collaborative for systems change that’s focused on improving the lives of millions of people around the world.
Solving Today’s Problems
We live in a time that feels fractured. Global leaders have retrenched from commitments to fight poverty, combat climate change, and build a more peaceful, integrated global community. At the same time, people around the world are rapidly losing faith in institutions meant to serve their needs and interests. In this moment, it is easy to be pessimistic about the future. Yet at Rockefeller we believe more strongly than ever in humanity’s capacity to solve the toughest challenges. In fact, we have an unshakeable belief in the power of people to solve big problems.

Now is a pivotal moment as rapid advancements in science and technology offer millions of people the chance of a better life. It is unacceptable that in a world capable of so much, there are still so many with so little. That is why, as The Rockefeller Foundation moves into a new era, we will make fewer but larger investments to accelerate breakthrough solutions in health, food, power, jobs, and resilient cities to ensure the benefits of progress and prosperity are shared by all. And we will continue to innovate...
using tools in data, science, and finance – reaffirming our commitment to take risks others can’t, or won’t, that can dramatically extend the reach of our work.

Foresight is Key
Across our history, The Rockefeller Foundation has boldly pushed itself to look out 20, 30, 40, 50 years into the future to consider what transformational activities will ensure the broadest swath of humanity benefits from progress and innovation.

As I look to the decades ahead, I am so inspired about what is possible. Each day, our team is strengthened by the inspiration we get from those we serve: The young mother in a village who lacks access to basic health services. The boy whose chronic malnutrition keeps him from growing to reach his full height, and his full potential. The girl in rural India who still must walk for hours in the dark just to get clean drinking water or find a working power outlet. The family here in America that hungers for the economic security, opportunity, and dignity that comes with a good job.

Those are the lives we have to lift up, the places we have to reach, the problems we have to solve in this new era. In the process, we hope our collective efforts can help rebuild hope and trust that citizens working together can ensure a better future for all people. At Rockefeller we have been fortunate to know, support, and be inspired by so many individuals, partners, and grantees working hard every day to promote the well-being of humanity. Together we have tackled some of the world’s toughest problems, and together we will continue to shape the future.
The Rockefeller Foundation’s Goals

We believe it is possible in our lifetimes to:

1. Transform the lives of a billion people by ending energy poverty.
   By building public-private partnerships to extend productive power to those without sufficient access, we will leverage the progress we have made in our Smart Power initiative to help end energy poverty and transform lives.

2. End preventable child and maternal deaths and bring better health care to millions of vulnerable people.
   By bringing digital tools to community health, we will work to reduce child and maternal deaths by millions, and better enable management of the growing burden of non-communicable disease, and to prevent pandemic threats.

3. Create access to nourishing food for hundreds of millions of people.
   By supporting scientific advances in human nutrition and food production, and carrying forward our commitment to a Green Revolution in Africa, we will reach hundreds of millions of children and families with nourishing food while improving the sustainability of the global food system.

4. Enable meaningful economic mobility for millions of Americans.
   By leveraging policy opportunities and building unique public-private partnerships, we will work to enable meaningful economic mobility for millions of people in the United States who have not fully benefited from a changing economy.

5. Catalyze an urban resilience movement that reduces vulnerability for billions of people.
   By continuing to advance 100 Resilient Cities, we will catalyze a global urban resilience movement that changes how cities plan and act in the face of devastating storms, a warming planet, and other shocks and stresses.
Dr. Rajiv Shah is the President of The Rockefeller Foundation, bringing over 20 years of experience in business, government, and philanthropy to the organization. He was appointed as USAID Administrator by President Obama in 2009, and charged with reshaping the US$ 20bn agency’s operations to provide greater assistance to pressing development challenges around the globe.

Dr. Shah is a graduate of the University of Michigan at Ann Arbor, the University of Pennsylvania School of Medicine, and the Wharton School of Business. Prior to his appointment at USAID, Shah served as Chief Scientist and Undersecretary for Research, Education and Economics at the United States Department of Agriculture. He also served in a number of leadership roles at the Bill & Melinda Gates Foundation.
Prosperity, at its essence, is the outflow of human potential; and healthy, shared values are what allow men and women around the globe to realize their potential – and unleash it, writes Dr. John C. Maxwell.
Most of us recognize that our core values guide our lives – that, in the words of Mahatma Gandhi, “your values become your destiny.” But these same core values also determine the level of prosperity that a nation or community experiences.

Our values determine our priorities, which fuel the choices we make and determine the steps we take. When we act wisely, we find success, which encourages us to persist in those healthy habits. Over time, those healthy habits multiply our victories. That compounded success creates a culture of prosperity – in families, organizations, and communities.

Prosperity is multifaceted and difficult to quantify, but the more you dig into the specifics, the more you notice a common theme – the stronger a country’s values, the more you see an increase in almost every metric that comprises “prosperity.”

And it’s not just common sense that tells us as much: data does as well. A 2017 study built on more than four decades of individual and national data found that, “values predict both a good life and a thriving nation.”

The Focus of Values

I’ve seen this at work first-hand. My non-profit organizations have made values-based training the central component of their work, beginning with the premise that all people – not just a select few – have value and should be valued. From there, we teach trainees 10 core values, including responsibility, transparency, humility, generosity, and honesty.

Over the past four years, we have established a training system in Guatemala, Paraguay, and Costa Rica, built on roundtables. We bring in coaches from the John Maxwell Team to each country and train leaders in groups of six, who are then charged with leading roundtables of their own throughout their country.
We’ve trained more than 105,000 leaders in government, education, entertainment, sports, media, public safety, and the military about values and how they affect a nation.

Those leaders have in turn led over 117,000 roundtable groups – resulting in more than 620,000 people across Guatemala, Paraguay, and Costa Rica being trained in the values that strengthen individuals and societies and make them more prosperous.

Perhaps more exciting is that many have translated that training into real-world change.

Values at Work in both the Public and Private Sector
One of my favorite stories comes from Guatemala, where the woman who was to become the country’s Attorney General was one of our first roundtable participants. When she signed up for our training in 2013, Thelma Aldana was serving as president of the country’s Supreme Court. Along with her colleagues from the Justice Department, Thelma went through 12 weeks of values-based roundtable training, and then began leading a roundtable group on her own.

Over the next two years, as Thelma led several of her co-workers in the Justice Department through the values curriculum, she developed a deep understanding of the corruption that plagued her country. In 2015, Thelma launched an investigation that uncovered and implicated more than 70 political and business leaders in money-laundering and bribery schemes.

Her investigation forced the resignation – and later, jailing – of the country’s President. In 2016, Thelma’s work was recognized with an International Women of Courage award.

The effects of the roundtables were also felt in Guatemala’s business community. One of the great businesses in Guatemala is Patsy, a 40-year-old company famous for its whipped cream cakes with strawberries.
As the company grew, the owners realized the need to invest in their employees. With more than 600 staff across their 23 stores and shops, the owners created a resource library to encourage their employees’ personal growth and development.

In 2016, Patsy introduced the roundtable curriculum to their workers. In 2017, the owners reported the monthly usage of their libraries was up 400%, and that nearly 10% of their workforce had decided to go back to school or continue their education. 99% credited the values roundtables with increasing personal and professional satisfaction, as well as reported an increase in teamwork across the company’s stores.

The results we saw in Guatemala speak to a broader truth: Whether in the highest levels of government or the daily operations of leading businesses, the transformation we want to see in the world starts with the values we embrace as leaders, as colleagues, as citizens.

**The Key to Transformation**
I like to say that everything worthwhile is uphill – all the way. The things of lasting, significant value don’t come easy. They require discipline, determination, and dedication.

Our work in Guatemala, Paraguay, and Costa Rica is a long-term commitment to a slow process of transformation. That’s a big word, but it’s what any philanthropically-minded individual or organization hopes to see.

There are plenty of shortcuts to “success” or “change,” but there is only one path to prosperity. That journey begins with the values we embrace and teach. When we start with these values, we build the pathway for others to follow and build upon – that path may be uphill, but it is worth the effort.
Jeffrey L. Bradach and William Foster imagine a future where donors deploy many more “big bets” against the world’s greatest challenges.

In 1993, there were 310 billionaires around the world; today, there are more than 2,200. Collectively, this group has more than US$ 9tn in assets, and their intent to invest for global good is well-known – just look at the 186 signatures on the Giving Pledge.

The New Normal in Philanthropy
History suggests this combination of enormous wealth and strong philanthropic ambition holds great promise. Philanthropy has repeatedly been the catalyst for major social advances, from eliminating age-old infectious diseases to securing important civil rights for repressed populations.

Yet there remains a yawning gap between the very wealthy’s current level of giving and their full philanthropic potential. In the US, families worth more than US$ 500m give an average of 1.2% of their wealth per year to philanthropic causes. If current appreciation trends continue, donors seeking to channel half of their wealth away within the next 20 years would have to contribute nearly 11% of their wealth annually – a nearly ten-fold increase over their current rate of giving. The gap only widens when it comes to addressing social and environmental problems. The primary motivation for 80% of donors is to create change in areas like these, but only 20% of their most significant gifts (gifts of US$ 10m or more) do so.

Granted, the massive and visible expansion of wealth is not without concern. It has sparked a growing wariness of plutocracy. As part of these broader questions about the influence of wealth on society, both the action and inaction of philanthropists are receiving increased scrutiny. This puts a premium on philanthropy fulfilling its historic role and full potential – helping promising organizations and citizen-led movements surmount some of the world’s most pressing problems.

Allocation of Wealth
The next 25 years are “prime time,” as the majority of the highest-potential donors are in their mid-60s. There are two likely outcomes. In one, giving to the most promising opportunities grows dramatically, creating a renaissance of innovation and impact.
Through the Giving Pledge, the couple have vowed to give at least half their net worth to philanthropy. France, 2017.
The other – and sadly, more probable – outcome is that the levels of giving advance modestly and focus on less-ambitious initiatives, leaving both society and donors disappointed.

The barriers to dramatic growth in philanthropy emanate from both donors and NGO leaders. The large majority of philanthropists practice “peanut butter philanthropy,” spreading small gifts among many recipients. This approach yields an extremely inefficient giving marketplace, with little chance of donors fulfilling their personal goals or delivering big results for society.

At the same time, when major gifts are scarce, NGO leaders typically focus on near-term horizons – closing this year’s funding gap, or opening in one more city. The cumulative effect of these inefficiencies is not surprising: few social change organizations and initiatives are prepared to deploy big philanthropic investments to achieve major results.

History suggests that the current combination of enormous wealth and strong philanthropic intent holds great promise.

Glimmers of Change

Major new donors are emerging. In 1993, the ten largest US foundations were a veteran group, with an average founding date of 1939; today, only two of those foundations remain in the top ten. Highly influential donors, including Michael Bloomberg, Pierre Omidyar, and Laurene Powell Jobs, are embracing new and innovative models, such as blending philanthropy and impact investing to achieve targeted outcomes and forming LLCs that enable a broader range of advocacy strategies. And long-standing foundations...
like Ford, MacArthur, and Hewlett are tackling some of the most challenging problems facing the planet – climate change, inequality, and nuclear threats.

Indeed, the number of large, ambitious gifts addressing social change is growing. US donors made more than 70 gifts of US$ 25m or larger to social-change causes in 2017; in 2000, there were only 19 such gifts. There is strong growth globally, as well. Recent Bridgespan Group research found that of 90 major US and international donors’ giving to issues targeted by the United Nations’ Sustainable Development Goals, grants of US$ 10m or larger rose by more than 80% between the five-year spans ending in 2010 and 2015.6

However, even with these ascending trends, wealth accumulation is dramatically outstripping growth in philanthropy. There are three ways today’s donors can close this gap.

1. **Help NGOs Create More Big Bet Opportunities**

In our experience, only in rare instances do NGOs have the resources to invest deeply in developing the type of big bet opportunities donors seek – investment concepts with a specific goal for creating ambitious change in the world, backed up with a logical, believable path that will get them to that goal. Instead, in pitching donors, resource-constrained NGO leaders go back again and again to just one story: the problem is enormous, our organization is really terrific, more money will allow us to do more important work. But donors rarely find such vagueness compelling.

Donors can help break this unproductive pattern by inviting and supporting strong NGOs to think big and to chart what
We stand at a truly pivotal time in the history of philanthropy. Never has wealth grown so fast and at such a scale as in the last two decades.

In the late 2000s City Year made a major strategic pivot to focus all of its national service work on schools, with a goal of nearly doubling the number of their students who reach 10th grade on track to graduation. Jennifer Hoos Rothberg, the executive director of EFCT, was a close working partner with City Year’s team. “They took a risk and let me participate in their thinking,” says Rothberg. “In working together on the thorny questions, we developed a shared understanding and collective willingness to take the risk inherent in targeting such an ambitious goal.” The collaboration culminated in 2012, with EFCT making a US$ 20m big bet on City Year as part of a core group of lead funders. The investment concept they had co-created was so compelling that other funders jumped on board to back the balance of the US$ 150m plan.

2. Join Matchmaking Platforms
In the for-profit sector, investors can turn to a massive financial services industry to identify investment opportunities. The same level of supportive intermediation simply has not existed in the social sector. We are seeing, however, the emergence of some major new initiatives that are playing this matchmaking function – building on a series of smaller efforts, such as New Profit, NewSchools Venture Fund, and Venture Philanthropy Partners, that started almost 20 years ago.

Some of these new efforts pool large sums from major donors and then invest deeply in surfacing big bet opportunities. For example, Blue Meridian Partners has raised US$ 1.7bn to apply to US organizations with the potential to achieve significant impact. Similarly, Co-Impact has aggregated more than US$ 400m to
make big bets on global efforts. In other efforts, donors retain decision-making control. An example here is TED’s The Audacious Project, which has attracted more than US$ 400m of investment capital for seven “world-changing ideas.” The biggest limitation to these efforts is capital flow. Many more donors will have to opt in, in significant ways, for them to come anywhere near their full potential.

3. Give Big Now and Lean Into Risk

None of this can happen without donors moving more resources today, rather than waiting until tomorrow. Yet there are strong norms about risk-taking that impede this moment’s potential. The result is a tricky dichotomy: philanthropy provides the world’s “risk capital,” even as much of it remains in safe harbors.

In their for-profit lives, donors accept that some investments pay off and others don’t – and recognize that the ones that do pay off can take years to do so. But in their philanthropic lives, donors tend to want a high degree of certainty that their bet will succeed – and in relatively short order. However, success in the social sector is often the result of an iterative process, where solutions emerge through trial, error, and adjustment over long time periods.

The desire for certainty creates a natural temptation to think big but aim low – pushing big bet opportunities further and further out into the future. While it is true that big bets do not always yield big advances, small, cautious efforts rarely do.

Wealth has grown at a greater speed and scale in the last two decades than ever before. This offers an unprecedented opportunity for donors to help make the world a more just and thriving place – if they are able to apply as much energy, imagination, and boldness to their philanthropy as they do in their private-sector investments.
Social Investor’s Feature Article:

Myanmar’s Proximity Designs

In this intimate interview, the Founders of Proximity Designs, Debbie Aung Din and Jim Taylor, tell the story of how lessons on the ground in Myanmar are inspiring solutions for the future.

Social Investor: What was the inspiration behind Proximity Designs?
Debbie: A lot of our inspiration to found Proximity Designs came before we moved to Myanmar – we credit our time in Cambodia and in Mississippi for our desire to utilize a social enterprise model focused on agriculture.

People are often surprised to hear that we met in Mississippi working for the John M. Perkins Foundation. In Mississippi there was a movement to fight for civil rights and against poverty. Working for seven years with John Perkins, a social worker, we learned just how vital it is to have deep knowledge of the people you work with – the problems they face, but also the opportunities they have. There, we became committed to working and living with the community our work aims to serve – what we see as the power of proximity. That’s a lesson that has stayed with us ever since.
Debbie Aung Din and Jim Taylor in their Yangon office where around 15% of the their 850 employees work. Proximity also has around 700 staff in its field office.
Proximity in Numbers

2004
ESTABLISHED

850
EMPLOYEES

187,137
FARMS
IRRIGATED

214,000
FARMERS BENEFITING
FROM PROXIMITY SERVICES

51,501
FARMER
ADOPTERS

85,963
PROXIMITY FINANCE
BORROWERS

We learned a different lesson when we lived in Cambodia for four years just as the country was beginning to rebuild after the Khmer Rouge regime. At that time there were hundreds of organizations working along the Cambodian border but we were among only a handful working inside the country, through our work for the Mennonite Central Committee.

It was a time of sanctions and isolation, but also a time of real change. We wanted to contribute to that rebuilding and to the country’s opening up to the world. Development – right down to the local level, to the village, to the farmer – will always be tied to the health of the larger economy and the politics that make critical decisions about where the economy will grow. So in Cambodia we learned the real importance of working at the macro-level – the power of policy. That gave us the spark to go back to graduate school, to study public policy at the Harvard Kennedy School.

After that we did a stint in Indonesia as economic policy advisors – I worked for the Ministry of Finance and Jim worked as an advisor to the government. There, we learned yet another lesson while working on macro-level policy issues with the government; we saw that aid could never be the full solution to the problems the country faced. Aid just wasn’t agile enough or big enough. It was at this time that we saw the private sector was emerging as an important actor in development. We started to understand the importance of having a social enterprise model that takes the best of both the business and the social sectors.

Myanmar is a country of 54 million people with an average GDP per capita of US$ 1,300.
After Indonesia we moved back to the US for Jim to attend business school, later working for five years for ag tech companies. Meanwhile, I started doing more and more work as an economist on projects in Myanmar. The work that I did in Myanmar planted the seed of the idea that Myanmar was a place where enormous impact could be made.

For one, the rural areas were often overlooked by aid, government, and the private sector. We also saw how much smallholder farmers were struggling to get by using antiquated technology and knowledge. More specifically we saw a demand for a simple treadle pump that was designed 20 years earlier but had never been introduced to Myanmar.

We took the lessons of proximity, policy, and the power of the social enterprise model that we learned from our time in Mississippi, Cambodia, and Indonesia, and our work in the private and public sectors, and we raised a US$ 10,000 grant from the British embassy to start selling those treadle pumps. Proximity Designs started from there.

The name Proximity is linked to the idea of how the organization works closely with the farmers that it aims to serve. Why is it important that you are close to the farmers?

Jim: Part of our origin story is that we met in the state of Mississippi after college. We mentioned John Perkins before and he was a real mentor to us. He had started a social enterprise that was built on the understanding that the complex problems of poverty couldn’t be solved from a distance, that having proximity with the people you work with fosters empathy and understanding, not sympathy. But he also showed us that empathy isn’t just about feeling good, it makes impact more effective.

This was underlined by our time in Cambodia and Indonesia. We also learned we wanted a different kind of relationship with people: one that is more customer-based, with an equal exchange, as opposed to a donor-recipient one. We still believe that being a social enterprise allows us to have this special relationship with the customers who we want to serve – the smallholder farmers of Myanmar.

What is Proximity Designs’ mission and how can serving farmers truly effect change in Myanmar?

Jim: Our mission hasn’t changed since the beginning of Proximity: we want to be a social enterprise that serves customers that are not served by private companies, NGOs, or the government. It has always been about poverty and increasing the incomes of families by helping them be more productive with simple products that target their needs. Agriculture is the biggest underserved market here, and yet, it has the potential for the most impact. Many countries, including China and Indonesia, have used agriculture as an engine for growth, proving that industrialization isn’t the only pathway out of poverty. Our mission is to reduce poverty in a country where 70% of the population derives their income from agriculture. This is simple math: changing the lives of smallholder farmers will change the whole country.

What were some of the key challenges you faced trying to get Proximity Designs off the ground?

Debbie: Working here in Myanmar – figuring out how to work with or next to the government and its policies – has been a big challenge for us. In the very beginning, there were strict US and EU sanctions, which meant that we had to be very careful to adhere to international standards and laws. Myanmar was also isolated, with poor infrastructure and an education system that didn’t stress critical thinking.

While people in other places were talking about implementing certain programs or technology within an open market system, we knew it would be difficult to apply in the Myanmar context. The openness Myanmar has today has helped Proximity make strides in its offerings to customers, but it wasn’t always this way.

As a social business, you aim to have deep sustainable impact at a large scale. Can you elaborate on the business model and why it works?

Jim: We believe that being a social enterprise opens up scale impact in a way that non-profits and businesses often don’t have. The root is the idea that being a for-profit company can limit your scale. If we were to use our irrigation products as a for-profit, it would be a very narrow set of customers that we would target, because very few would be able to afford them in their full pricing. Our model of mixing profit and subsidies allows us to serve customers that we would not be able to traditionally reach as a for-profit. Our work falls between a conventional business and an NGO, allowing us to do things on a large scale and to provoke changes on a macro, countrywide scale. We are sustainable through our blend of raised philanthropic capital and earned revenues.
We also think that it has been very important to our scaling that we’re using both proximity and policy. Proximity Designs is known for being on the ground working with farmers, but through our research work, we’ve been able to work with country leadership. Partnering deep systemic work on the micro-level with macro-level policy means more sustainable changes for farmers’ lives.

Unusually for a social enterprise, Proximity Designs is also involved in economic research for nation-building as you mentioned. How did this work come about? And how did you translate the research into policy change?

Debbie: Cyclone Nargis struck at the height of the military regime when the country was quite isolated due to international aid and trade sanctions. The cyclone cracked open humanitarian space, in which the international community could engage in Myanmar under these dire, emergency circumstances. Proximity had been working with farmers and rural delivery at the time and was well-positioned to respond to the emergency that primarily hit rice-farming families. As a result, we were able to deploy rural staff and international relief support fairly quickly. We became the largest provider of farm recovery support, working in 1,200 cyclone-affected villages and helping over two million people in the Delta over a three-year period. The government was very supportive and we were able to develop a level of trust with government departments that previously had not had significant partnerships with international organizations.

We developed a good relationship with the Ministry of Agriculture, and were able to conduct more in-depth economic research, to look at the broader economy – not only in the Delta where the cyclone hit, but in the larger rice-growing areas of the country. Our early research (in 2009-2010) on the agricultural economy highlighted the dire need for farm credit and provided leaders with a feedback loop or independent analysis of the country’s agricultural situation. Our research contributed to the government’s efforts to begin providing greater amounts of credit to farmers, both through the state agricultural bank and through private sector providers. Today, for example, farm lending has grown with the state Ag Bank having increased its loan amounts at least ten-fold to 1.5 million rice farmers.

During the time of Myanmar’s transition government, we were able to work closely with reform ministers and support them (at their request) with economic analysis on important nation-building issues including federalism, resource sharing, the exchange rate, energy, and telecommunications.
Can you talk about the opportunity you see in macro-level work in terms of impact and the way it differs from your social enterprise activities?

Debbie: It is important for leaders and decision-makers to have independent sources of information and analysis, as a feedback loop. We can leverage our social enterprise activities in rural villages and our deep knowledge of farm households and conditions across the country – to "ground truth" macroeconomic data and provide important, contextualized input and support to decision-makers. The macroeconomic analysis can be more informed, practical and nuanced by our social enterprise work in villages; similarly, millions of farm households across the country in turn can benefit from informed and better decisions made by policy makers.

The organization also thinks beyond its own products and services to making market-level impact. Tell us more about that.

Debbie: Besides our engagement with leaders and economic research/policy work behind the scenes, Proximity is working on systems change by helping shape or make a market.

One example is the agricultural financing industry. With about seven million smallholder farm households, the need for working capital for farming is huge in Myanmar – just with rice alone, it is about US$ 4bn a year that is needed. However, the state agriculture bank is not able to meet this finance need alone. MFIs do not focus on farmers – they focus on peri-urban areas and finance petty trade and small enterprises, as well as consumptions to smooth out the cash flow of poor households. Private banks focus on urban clients and have little interest, proximity, or knowledge to serve the finance needs of farmers.

As Proximity Finance, we also know we alone will not be able to meet the financing needs of Myanmar farmers. However, we can lead the way and be a "market maker" – by designing innovative financial services that fit farmers’ cash flow and needs, by showing that farm finance is commercially viable, impactful, and that farmers are entrepreneurial and are
The Story of Han Lin Aung

Han Lin Aung started out in his 20s as a rickshaw driver. It was low-income work, never bringing in enough to support the family that he hoped to have one day.

His marriage in late-2006 was the catalyst that he needed to make a change. An entrepreneur by nature, Han Lin took a couple of big gambles.

First, he bought a plot of land, and planted it with orchid bulbs that he had bought from a farmer in a neighboring village. No one else in his village grew the crop, presenting Han Lin with a gap in the market that he felt was ready to be filled. Second, he invested in a treadle pump because he was convinced of its time-saving, yield-boosting potential. In doing so, he became one of Proximity’s very first customers.

His gambles paid off. Today, Han Lin is one of the most successful farmers in his village. He has expanded his business to growing and selling limes, and has invested the profits in a village shop that has become a center for trade and conversation. Han continues to dream big and shares his good fortune by allowing the other villagers to use his treadle pump as well.
severely neglected by the finance industry. For example, we were the first to do an innovative back-to-back facility with a local bank, Yoma Bank – as a mechanism to receive foreign borrowing and hedge against a volatile local currency. Since then, Yoma Bank has done 14 other back-to-back loans with other MFIs. Now, other local banks are pursuing these partnerships. So we were able to pave the way.

In the small-scale irrigation market we have played a similar role. When we started, the treadle pump was a product that really clicked with the needs of the smallholder customer segment we aimed to serve. But customer needs changed and the market moved in to satisfy the demands we were meeting. We adapted our business to provide the next service or product farmers needed. Proximity has introduced innovative products in a market that did not exist for small farmers – products such as drip irrigation and sprinkler systems. Stimulating local demand for such products has meant more suppliers besides us have entered the small-scale irrigation market, giving farmers more choice and lower prices. We saw this as a huge success – we pointed out an unmet market and other players such as private business or the public sector also saw the opportunity and moved in to serve it.

What are some of your personal favorite case studies of farmers whose lives have been transformed as a result of the work of Proximity Designs?

Jim: We once demonstrated our treadle pump in a village, Shwe Byo, and a lot of people came to see how it worked. But there was one man in particular who spent a long time trying the pump and seemed very focused. The other villagers started pressing him to let them try as well, to which the man answered: “Don’t bother me, I’m dreaming.” We later interviewed him and learned that he was a rickshaw driver, which is a very low-income job. It was very touching when he told us he wanted to buy our treadle pump, because his dream was to be able to grow on his land and live off farming.

Another time, we met a man who used to climb toddy palm trees to make palm sugar – this too brought home very little income. One day, he fell and injured his back, rendering him unable to keep doing this work. His wife convinced him to invest in a treadle pump so that they could start growing and selling their own products, which also meant he wouldn’t need to carry heavy buckets on his back. When we interviewed him, he was happy to tell us that his income had increased, earning more than what he did before. But most of all, he recounted how earning so little before used to make him feel “like a nobody.” He explained how poverty had isolated him from his community, as he couldn’t afford to participate in the life of the village. He now feels respected as a member of society.

Both of those stories show that boosting income is important but it is not simply because it offers you material gain – income can turn dreams into a reality and allow one to feel like one can contribute to the community at large.

What inspires you to wake up each morning and continue to grow the business?

Jim: For us, the impact Proximity Designs can have on the life of a single farmer is moving and the ability to scale that to hundreds of thousands of farmers is what continues to inspire us each day.

On a more personal note, we’re really proud of the brilliant people who work for Proximity Designs and who have made it the special company it is.

We continue to strive to be a transparent and mission-driven organization that provides quality services and products. We want to be the kind of organization where people can come to work and know that they are contributing to something meaningful. That is something that we are very proud of.

Looking forward to the next five years, where do you see Proximity Designs?

Debbie: Hopefully in five years we’ll still be able to attract and retain a group of talented people dedicated to meeting the ever-evolving needs of farmers. If we are an organization that is still able to attract talented people who have a sense of the market and the risks necessary to achieve our goals, we will be able to figure out the rest.
Investing
Narrow and Deep: The Art of Betting Big

By Richard F. Chandler

The Power of Focus and Simplicity

I grew up in a family retail business in a farming community in New Zealand. Our store, Chandler House, sold a range of merchandise, from home furnishings to women’s and men’s apparel. Being a small family business, my mother was the head of merchandising and my father took care of the administration. Every year, before winter arrived, my mother would visit the knitwear manufacturers and search for lines of men’s cashmere sweaters. My mother was courageous in her buying. She loved to purchase an entire production run and negotiate a big discount. When winter arrived, our store carried an “exclusive line” which she could sell at attractive prices. In the middle of winter, we would have the only cashmere sweaters in town as the other stores sold out their small orders. She called this approach “narrow and deep.” It is a principle I have applied to building my investment company. And it has delivered the same outsized results.
Investing Narrow and Deep: The Art of Betting Big

The High Cost of Diversification
Modern portfolio management theory advocates diversification of risk. This has led to the popularity of low-cost equity index funds and ETFs in recent years. These diversification strategies become self-fulfilling prophecies – until these crowded positions are unwound in a bear market. Warren Buffett, the investment legend, says that diversification is “diworsification.” It is for those who don’t know what they are doing. Many philanthropists have adopted a version of this portfolio theory, spreading out their donations in the name of prudence and risk management. Some of these philanthropic seeds land in good soil; however, many more fall on the rocks of good intentions, squandering an investor’s resources, time, attention, and energy.

The ROI of “Narrow and Deep”
Today, as the philanthropic industry searches for greater impact and effectiveness in capital allocation, the principle of “narrow and deep” can be powerful. It provides focus and simplicity, allowing capital to be concentrated on a few compelling ideas and opportunities, while also creating a host of practical benefits not possible through a more scattered approach. The “big bets” borne out of such an approach enable promising organizations to scale effective programs or launch promising new ones; they empower leaders to build out teams and innovate their operating models and systems.

They provide other advantages as well, ones no less important but more difficult to quantify. Big bets encourage leaps in leaders’ long-term ambitions by liberating them from short-term fundraising; they imbue a sense of momentum which can help attract further investment; and they empower organizations to strike weightier blows against the most challenging issues of our times.

The Track Record of Betting Big
This helps explain why, behind many of history’s great societal advances, one finds a donor – or a coalition of donors – whose narrow and deep investments made it possible. John D. Rockefeller’s US$ 100m “big bet” toward medical research helped eradicate hookworm disease and produced 23 Nobel laureates. Other issues where “narrow and deep” played a crucial role range from combating neglected tropical diseases to confronting authoritarianism.

Idea: George Soros’s Open Society Foundations
The Financial Times named George Soros “person of the year” in 2018, describing him as “the standard bearer of liberal democracy and open society.” To date, Mr. Soros has set aside more than US$ 32bn toward philanthropic causes, mostly through his Open Society Foundations. Open Society Foundations invests worldwide and in support of a range of causes, all of which are informed by an ideology famously articulated by Karl Popper in The Open Society and Its Enemies in 1945: for a society – and a nation – to prosper, it must be open, and democratic, and resist authoritarianism, racism and intolerance.

Issue: The END Fund’s Focus on Neglected Tropical Diseases
A group of parasitic and bacterial infectious diseases collectively known as neglected tropical diseases (NTDs) affect more than 1.5 billion of the world’s most impoverished people – 868 million of whom are children. Preventing, treating, and ultimately eradicating NTDs is the focus of the END Fund, and guides its sizable investments. Since its founding in 2012, END Fund, whose founding investor was the Legatum Foundation, has raised more than US $118m and treated more than 140 million people worldwide.
tropical diseases to placing seatbelts in cars worldwide; from eradicating polio to reducing tobacco usage. Not only are such investments crucial in tackling societal issues, they are instrumental in building the organizations which most successfully combat them. The book *Forces for Good* examined 12 of the world’s most impactful nonprofit organizations; 11 had received a "big bet" donation, or a significant investment at a pivotal moment.

**A Lack of Big Bets in Philanthropy Today**

And yet a paradox exists in today’s social marketplace: many donors and social investors wish to fund social change, yet research shows that few are making the kind of big investments that often catalyze it. Only 2% of human-service organizations had received a big bet, according to 2016 research by the philanthropic advisory firm Bridgespan. And of the relatively small number of big bets being made, few are going toward social causes. Separate research by Bridgespan found that, excluding investments by the Gates Foundation, only one in five philanthropic big bets of US$ 10m or more were directed toward social change. The rest were channeled to lower-risk opportunities and recognizable institutions.

**The Starting Point: Finding One’s Anchor**

The social investor with both the resources and risk appetite to invest narrow and deep may find themselves overwhelmed with options – there are more than 1.5 million nonprofit organizations in the United States alone. In this swirling sea of seemingly endless opportunities and causes, finding an “anchor” to underpin one’s giving can bring focus. No particular anchor is “better” or “wiser” than another, yet the one that resonates most truthfully and powerfully is likely to be the sustaining force during the inevitable ups and downs of a philanthropic journey. History suggests these anchors tend to fall in one of four categories:

- **An ideology**, such as the belief that only open, democratic societies can prosper, which informs George Soros’s Open Society Foundations.
- **An issue**, such as the END Fund’s focus on preventing and treating neglected tropical diseases.
- **A sector**, such as the Osprey Foundation’s investments in water, sanitation and hygiene (WASH) services.
- **A geographic region**, such as Elma Philanthropies’ investment approach which prioritizes opportunities across the African continent.

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**Sector: Osprey Foundation’s Focus on WASH services**

According to a 2017 joint report by the WHO and UNICEF, 2.1 billion people lack safe, readily available water at home, and 4.5 billion lack access to safe sanitation. Improving access to water, sanitation and hygiene (WASH) services is one of the Osprey Foundation’s guiding investment focuses. In its efforts across the WASH sector, the foundation employs a number of approaches, from providing grants and impact investments to advising on an organization’s strategy and operations. And its portfolio is global, ranging from sub-Saharan Africa to Latin America, the Middle East to academic research in the United States.

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**Geography: Elma Philanthropies’ Focus on Africa**

The thread which unites – and focuses – Elma Philanthropies’ capital is geography, as the organization prioritizes investments in “African institutions and change agents” rather than international NGOs. Anchored in this geographic focus, Elma Philanthropies invests in a range of initiatives, from maternal care to early childhood development to HIV/AIDS prevention and treatment, and allocates capital through a number of vehicles, from general support grants to equity and debt.
Translating an Individual Vision into an Institutional Capability

Having found a compelling cause, donors must face the challenge of building an organization to deliver on it. It has not been uncommon for donors to hold their philanthropic organizations to lower standards of innovation and execution than they would expect of their businesses or financial investments. Too often, the effectiveness of philanthropic firms is hobbled by a culture of bureaucracy, bloated costs, and risk aversion.

Supported by Adaptive Structures and Systems

During World War II, Winston Churchill created the Statistical Office, a department outside the normal chain of command whose principal function was to provide the Prime Minister with continuously updated and unfiltered information, no matter how unpleasant or challenging it might be. Churchill knew that Britain’s victory depended on its ability to adapt to obstacles as they arose, and that such rapid responses would be effective only if key facts could flow quickly from the war’s front-lines to the government’s most senior decision-makers.

Structures and systems that encourage this kind of fast, ongoing communication are a vital component of narrow and deep investing. They create an organizational climate where the truth is heard and can be acted upon, allowing for iteration and improvement rather than sustained investments in “doing the wrong thing righter.” This type of insight can also help yield smart dashboards, allowing leaders to discern the stories told by data and calibrate strategies and allocations accordingly.

Animated by People and Culture

Jim Collins wrote in *Good to Great*: “If you have the wrong people, it doesn’t matter whether you discover the right direction; you still won’t have a great company.” The same truth holds for social organizations; even those guided by a compelling vision and supported by well-designed systems and structures need the right people and culture to make use of them. The right team fields a balanced, complementary set of skills, ranging from investment and business professionals who bring a business mindset and focus on outcomes, to those with deep experience in the social sector who can help build relational networks and navigate the territory. It sounds simple, yet it appears often overlooked: An adaptive, results-focused organization requires adaptive, results-focused people and culture.

The Importance of Shared Values in Collaborative Partnerships

The great social issues of our time require multi-level and structural solutions – the kind of solutions only possible with cross-sector partnerships built on both shared purpose and shared values. For entrepreneurs or investors used to “going it alone” in the private sector, this kind of partnership can seem unnecessary, or perhaps even uncomfortable. But governments, NGOs, the private sector, and fellow social investors all have a role to play in...
building and broadening prosperity. Proceeding on a shared purpose without shared values is unlikely to succeed. Setting the right foundational values is essential for success in big bet partnerships.

The Art of Timing: Seeing and Seizing a “Kairos Moment”

The ancient Greeks had two words for time: chronos, or chronological time, and kairos, meaning the right time or the ideal moment. Narrow and deep investments achieve their greatest impact when they reach organizations and leaders at inflection points – at a “kairos moment.” Investments rushed without proper due diligence can prove rash; capital deployed after an opportunity has passed can achieve a fraction of what it might have otherwise. But investments deployed during a “kairos moment” connect capital with need and catalyze transformation. Recognizing such moments is an art. Acting upon them requires structures and systems that allow for fast communication, and a team and culture well-versed in moving at speed.

Daring to Achieve Greatly

We stand in a moment of great opportunity. There has never been more capital in the philanthropic sector or more sophisticated vehicles and approaches to put it to use. Today’s philanthropist has sophisticated tools at their disposal to measure outcomes in almost real-time, and they have global networks of peers with whom they can learn and collaborate. In a practical sense, big bets have never been more possible. And when one looks around at the unacceptable levels of poverty and illiteracy that persist, or the suffering and diminished opportunity still faced by so many, one sees that such big bets have never been more warranted.

In addition to the many organizational and practical considerations, a narrow and deep investment approach requires a deep reservoir of courage, for it carries with it not only the possibility of transformation but also the risk of failure. The only way one can avoid this prospect is to remain in the shallower waters of certainty, betting safe and investing small – which might be the greatest risk of all.

Collaborative Values: Setting the Right Foundations for Big Bet Partnerships

In order to take on big challenges, social investors can achieve more when they partner with others. From the start, effective partnerships must be aligned on a purpose that is common and specific. A shared purpose, however, is only half of the equation. Effective partnerships also need shared values. Below are model values that can help a collaboration thrive.

Humility

It is important to recognize the limitations of one’s own ideas and experience. Each of us have much to learn from each other. We should value listening above our desire to be heard.

All-In Commitment

In a partnership, every party is responsible. When we have ambitious aims, we operate at our strongest when each of us feels a sense of ownership and urgency for the work being done. It is important to be committed to constructively contributing our ideas and insights, our skills and strengths.

Unity in Diversity

We all bring unique perspectives and expertise – diversity is a strength. When we work to develop a shared approach instead of insisting on a particular view, we elevate the good we can achieve together over our individual perspectives and beliefs. The key is to practice collaboration, not negotiation.

Beginner’s Mind

Having a beginner’s mind means being keen to explore, reflect on, and learn from others and consider alternate ideas. When we are not anchored in our own frameworks and truth but are willing to challenge our assumptions and frameworks with fresh eyes, we are able to work with an open mind.

Respectful Disagreement

Partnerships are about taking risks, being audacious, and making big bets. It is inevitable that there will be differing opinions on the best way to do things, but conflicts can be processed with respect and dignity. When we do not shy away from unconventional ideas, but seek and provide candid feedback, it is possible to resolve issues by focusing on the collective shared purpose and values.
Empiricism and the Scientific Method in Philanthropy

Wycliffe Muga reflects on the importance of scientific rigor when approaching projects in the field.
About ten years ago, I spent a week as a visiting Media Fellow at an environmental research center in the American Midwest. After I gave a lecture, I was approached by some American university students who were officials in their university’s chapter of Engineers Without Borders. They had recently launched a philanthropic “development project” in a village in Western Kenya – the construction of a tube well – that aimed to give villagers access to clean water. They wanted to discuss their project with me.

They had been fundraising all year and the villagers had started some preliminary digging. A Kenyan social entrepreneur indigenous to that village – though working in the capital city Nairobi – was their local contact and was coordinating the early phases of work for them.

Some of the young engineers in this group had already been to Kenya to visit the site. A bigger group would be going the following summer to do some of the work themselves – building parts of the water supply infrastructure, as well as supervising the professional drilling of the well by a local contractor.

They believed that the well would have a “transformational” impact on the lives of the people in that village, and, as one of them put it, “on the women who have to walk long distances to fetch water for their families.”

As it progressed, the project unfolded according to plan. I later learned that the well had indeed been built, and was supplying water as advertised. There was one problem, though: it had been drilled in the wrong place.

Good Intentions but Poor Execution
Many parts of Western Kenya – where this well was built, for example – face the problem of having too much water, not too little.

In places like these, you do not need to dig far to hit ground water; indeed, it is something the villagers do for themselves with fairly rudimentary tools like pickaxes and shovels. No real engineering is needed, as the water table is quite high. In a country where about...
80% of the land is arid, there were plenty of locations where this well would have had greater impact – Western Kenya, it turns out, is not one of them.

This was yet another case of good intentions and poor execution leading to an almost comical outcome – in this case, the drilling of a water well in the one region of Kenya least likely to face water shortage, and least in need of major engineering effort to bring water up to the surface. Sadly, Kenya knows these failed projects only too well.

Lessons Learned
This project – like many others that ultimately fail to deliver on their promise – offered a number of worthy lessons.

First, and most important, to have a lasting impact, it is critical to temper passion and idealism with caution and reason, and to channel lofty ambitions into pragmatic approaches. Over the years, there have been many lavishly resourced projects conducted by people far more mature and experienced than these young engineers. And yet they fail – not always, but distressingly often – because they are driven by the same collapsing strategies.

They are fueled by short-sighted motivations, do not ask the right questions, and shy away from doing the necessary research. They do not know how to adjust their blueprints, clinging to the initial concept when its flaws and inadequacies come to light. They spend less time considering how it will scale or become sustainable, and more time proclaiming that it will be “transformational” – modest and useful, for some reason, is never enough.

A second point is that vested interests lurk around every corner, making it hard to understand the true interests at play. When money and resources are being dispensed, it can be easy to find a host of people whose “development agendas” are suddenly aligned with your objectives and aspirations.

Third, cultural factors still weigh heavily on the final outcome of any new project in countries like Kenya – overlooking them can easily lead to the derailment of what looked to be very promising beginnings. Even where failure is not absolute, these cultural factors may greatly diminish the benefits the project was intended to provide. Sadly, these same lessons have been offered again and again, project after project.

Culture Matters
Perhaps the most famous example of the failure of a Kenyan “development project” – arising largely from cultural factors – is one from the 1980s, involving the Turkana community of Northern Kenya, and the Norwegian government’s agency for international aid.

The problem the Turkana community faced was caused by the large herds of cattle they kept on mostly semi-arid land. The result was the degradation of soils and the exhaustion of pasture, brought about by having too many cows, sheep, and goats on marginal grasslands. If the rains failed – as usually
happened at least once every five years or so – most livestock would die, leaving the herdsmen destitute.

The Norwegians attempted to solve this problem by giving incentives to Turkana families to move away from the plains and instead settle by the shores of Lake Turkana. Alongside this, the Norwegians initiated an ambitious project that entailed teaching the men how to fish as an alternative to keeping livestock.

Many hundreds of herdsmen and their families moved to the shores of the lake, joined the fishermen’s cooperative the Norwegians had set up, and, since the lake had plenty of fish, the cooperative was soon distributing profits from the sales of smoked fish.

Contrary to the intended aim of the project, however, the Turkana fishermen then used their earnings to buy more cows, sheep, and goats – thus making their herds even larger than before. The problem the Norwegians had hoped to solve was compounded by the “solution” they provided. Another example relates to one of Africa’s more intractable public health challenges: malaria. For years, as a central component of anti-malaria campaigns, many
philanthropic organizations and government agencies have been distributing insecticide-treated bed-nets across the continent.

The bed-nets have proved to be an effective protection for middle-class children who sleep on beds. But in African slums and the African countryside, only adults sleep on beds. Most children scatter their mats on the floor, sleeping in groups that are much more difficult to cover with mosquito nets. And yet, despite the fact that the largest number of at-risk children remain heavily exposed to malaria-carrying mosquitoes, the distribution of bed-nets remains a preferred intervention because of how easy it is to quantify. As the argument goes: the greater the distribution of bed-nets, the greater the chances of guarding against malaria.

The better argument is that Africa’s most intractable problems do not have easy solutions, and that a great deal of good would come from detailed scientific inquiry and empirical observation ahead of time. Otherwise, solutions can be as porous as mosquito nets.

**Improving Lives**

When I spoke to the American students, I realized that unless I was going to offer an alternative, it was best to just let them build their well. While it would not be “transformational,” it would do no real harm – there would certainly be some women in that village who would take a much shorter time to get the water that their families needed.

So rather than offering an assessment of their project, I spoke more broadly about projects like the one they were

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*For the Turkana community, the solution provided actually compounded the original problem.*
undertaking, suggesting that their importance lay neither in their successfulness nor failure, but rather, the manner by which they were attempted. I added that they, along with all of us in the field, should approach projects with a true spirit of scientific inquiry – that they should be empiricists in their quest to improve the lives of others. That meant really doing the work necessary to ensure that they had something unique and significant to offer – and not simply an idea that sounded good on paper.

It is an approach that holds true whether we are drilling for water, fighting malaria, or trying to help farmers. We must be willing to embrace failure and repeatedly test the original idea under an assortment of conditions, and then adapt, adjust, and change as necessary – to run the tests and make the changes that limited resources rarely allow.

Only then can we hope to distribute items that people can actually use to better their health, develop projects that address real needs on the ground, and dig wells where they are most desperately needed – work that is measurably meaningful, and quite possibly transformational.

Wycliffe Muga is a Fellow of the Knight Science Journalism Fellowship at Massachusetts Institute of Technology (MIT). For 10 years, he was the "Letter from Africa" correspondent to the BBC World Service (Business Daily).
Dr. Rajiv Lall, a 30-year veteran of finance and public policy, shares his personal journey of moving from academia into the private sector and the importance of partnerships and collaboration in tackling India’s most significant problems.
s Managing Director of IDFC Bank, Dr. Rajiv Lall leads the business’s efforts to drive financial inclusion at scale across India. It is a mission that Dr. Lall advances in the public sector.

He also serves as Non-Executive Director at the IDFC Foundation, an organization that works to “transform India, one district at a time” through financial inclusion efforts alongside a host of community-level programs ranging from neonatal care to digital literacy.

In addition, the foundation maintains a strong research and public policy component: the IDFC Institute, where Dr. Lall serves as the Chair. Dr. Lall is also the Chairman of Social Finance India, an impact financing platform.

Social Investor: You started your career as an academic before moving into the policy world. What was the impetus behind that career move?

Dr Rajiv Lall: While I was in academia, I felt that my work was quite distant from actual human behavior – the emphasis on theoretical modeling with artificial assumptions limited the discipline’s ability to really deliver insight on behavior. Personally, I found it quite difficult to relate to, and was part of the reason why I left academia to join the policy world and work for the Asian Development Bank and then, the World Bank.

I felt that policy work afforded a much closer day-to-day interaction with the world. My years at the Asian Development Bank and the World Bank at least gave me a ringside seat as to how decision making at the policy level takes place around the world.

What were the key lessons that you learned working at the Asian Development Bank and the World Bank?

The work that I did in the policy world was very educational. It helped me to understand the constraints under which the people there, whose decisions have very serious implications for the rest of world, work.

However, I eventually grew frustrated because I felt that oftentimes, a lot of the policy recommendations (at least in the ’80s and the early ’90s), were driven too much by theoretical considerations and made by people without a proper understanding or empathy for the context in which these recommendations were being delivered.

The disastrous reform package put together by the World Bank for Côte d’Ivoire in the late-1980s, where they insisted that the Ivory Coast completely overhaul their tax regime and devalue their currency, was a prime example. In reality, the Ivory Coast could not devalue the currency because it was a fixed rate relative to the French Franc, and the implementation of that customs tariff reform was a complete disaster in Ivory Coast.

I would eventually quit the World Bank and headed to Wall Street to work for Warburg Pincus. This gave me a much better understanding of how business really functions. I believe that without that experience, I would have been totally ill-equipped to play any role at IDFC.

Just to follow the dots through your career to IDFC Bank, do you feel that there was a social motivation behind your decision to join IDFC?

That was certainly the reason that drove me back to India. I had been away for 30 years but I had a real desire to contribute to the country.

And I felt that I did have something to contribute, particularly when it came to IDFC. IDFC, by construction, was really a partnership between the public and private sectors. It was a company that was created by the Indian government with the idea of harnessing private capital to develop basic infrastructure in the country.

From the point of view of the search committee, they were looking to hire a CEO for the company. They saw what you are seeing in my career track, which is that here’s somebody that has traversed both the public and
the private worlds, and therefore, maybe this is the right kind of person and background to bring to IDFC which is by intent trying to do the same – to bridge the public and private sectors.

One of your key focuses is the IDFC Foundation. Can you share with us its heritage?
During its early years, IDFC had a very strong research and advocacy function that contributed a great deal to the development of the policy framework – which, in turn, helped private infrastructure in India grow tremendously. Once IDFC became a public company, it was difficult to justify a large public-policy research function within the organization. So we created a subsidiary, a not-for-profit foundation, and we shifted the talent that was focused on advocacy and public policy to the foundation. Today, the IDFC Institute is part of the foundation – but not all of it.

The IDFC Foundation supports a whole ecosystem of public policy research in the country – a half dozen other think-tanks – to ensure that research and advice in India remain broad, independent, and not too Delhi-centric. It also focuses on financial inclusion, with a special focus on using technology to develop the “last-mile infrastructure,” or payments infrastructure, for India.

So we are making a piece of infrastructure – which is really a handheld device – and also software that allows the local grocery store or the petrol pump, for example, to provide basic banking to customers on a distributed, low-cost basis.

In the past 24 months, we’ve completed something like 15,000 “micro ATMs” which are open to customers that have accounts with any bank – not simply IDFC customers.

Why does the IDFC Institute’s research focus on “transitions” and “state capacity”?
We focus on three transitions in particular: from agrarian to manufacturing; from rural to urban; and, especially important in India, from an informal, unstructured economy to one that is more formal. We focus on these transitions because they are all unified, in some sense, by the overwhelming research that shows their ability to generate jobs, create wealth, and eradicate poverty.

And when we looked at India, we saw that an obstacle to making those transitions was the capacity of the state. So that’s our second focus. It’s not a question of a large or small state, of private versus public, but of making sure that we have an effective state that delivers...
The IDFC Institute focuses its research on areas that would help India develop a more effective state.

We want to bridge the gap between the intent of public policy and the execution of governance.
the essential services that only the state can deliver – like providing a well-functioning, transparent, robust regulatory framework.

The IDFC Institute describes itself as a “think/do tank.” What does that mean?

Our experience has shown that the biggest challenge today is not so much figuring out what to do, although there are some gaps on that as well, but how to get it done. Any time we talk to our partners in government, whether it’s at the local level or senior officials in central government, their eyes seem to glaze over when you talk about, “You should do this, you should do that.” Directly or indirectly, their message tends to be: “Don’t tell me what to do, help me get it done.”

So that’s where the “do tank” part comes in – we want to bridge the gap between the intent of public policy and the execution of governance. Obviously, you cannot populate this kind of platform with regular academics. Academics are good at solving conceptual problems, but they’re not good at implementing solutions. They very rarely understand the challenges of real-world administration and implementation. We are trying to develop expertise that we have somewhat facetiously called “pracademics” – people who have very solid academic training in a range of disciplines, but who also have solid experience in business, public policy, and administration. Smart enough to come up with the ideas and experienced enough to implement them – that’s a very powerful combination.

It seems like relationships and networks would be crucial. Absolutely key. As is humility. The role of our people, and our Institute, is to be below the radar, to be quite self-effacing. Because without that, you don’t get trust. And trust is vital to be able to have a constructive and honest conversation with people who are struggling with very, very difficult problems.
One of the most important roles of the “think/do tank” is not so much the intellectual fodder that the institute itself creates, but the convening power of the platform to pull together a network of like-minded people with influence. This network helps us to come up with a work program for the Institute, one that the entire network takes ownership of. We then create teams that produce evidence-based research that they provide to the network. Parts of our network are active throughout the year, but others comprise what we call “sleeper cells,” meaning they are now armed with how to make headway on a particular problem, but are waiting for the appropriate political window of opportunity. When that opens, then we try and ram that initiative through.

How has this worked in practice?
We have had some interesting successes in a relatively short period of time. One has been trying to improve outcomes in India’s law and order establishment – figuring out how could we use our research, our network, to help the average citizens feel more confident and secure in their own country, and less vulnerable to ad hoc violence.

We collaborated closely with the police force to create a series of surveys in major cities to get to people’s perceptions about security, about the police force, and law and order. So the police now have evidence of where they stand today, and the data is so rich that they want to replicate this across many parts of the country. The data allows them to diagnose problems – at the level of each police station – and then to design appropriate interventions, which they can test and see how effective it has actually been.

What are the challenges you face as you go from research to execution?
We are in a process of continuous learning. Having a few initiatives in our first year, I think our learning is twofold. One is that there are talent gaps in government. We’ve known it from the outside looking in, but we believe that it is vital to address this challenge. Well-meaning people in government are frustrated, they are not able to deliver the results that they want. And so that’s one lesson.

The other lesson, which seems quite obvious in retrospect, is that for anything to be effective, it’s vitally important that government takes ownership of it. That means we have to develop a very strong working relationship with their counterparts in government, such that the “think/do tank” is not seen as outsiders providing spurious advice, but as a genuine support system that is there to assist in an initiative that the government itself owns.

The next phase for the Institute, and I think this is going to be our big experiment this year, is that we are trying to create this facility that we are calling “expertise on tap” where we hope to be able to develop a network of experts that we then make available to some champion within government.

You recently expanded your portfolio beyond IDFC and joined Social Finance India as its Chairman. What inspired you to join Social Finance India?
As I step back from day-to-day executive responsibility at IDFC Bank, I feel that I can very fruitfully spend time on IDFC Institute and Social Finance India.

The ambition for Social Finance India is nothing short of trying to channel capital at scale into activities that have a measurable social impact for the country. If capitalism were to take root and flourish in India, it is very important that the providers of capital and businesses have a sense for their wider obligations to society. If they pursue business just for the sake of profit, sooner rather than later it will lead to a confrontation with the millions of people who feel that they are being left behind. This is less so in countries where there are very established middle classes, but especially so in a country like India where disparities are so stark.

I believe that it is vitally important for businesses to understand and voluntarily take up broader responsibilities. So this sounds very abstract, but let me just leave you with one example of how all this could come together. It is very, very early days, but Social Finance India is exploring an initiative to eradicate tuberculosis in the country, which is a huge problem.
Treating tuberculosis is very challenging and requires a great deal of collaboration between the government, public health establishments, and businesses. And I can see how something like tuberculosis could strike a very important and vital emotional chord even among the business community, that if we could construct a well-thought-out and effective, measurable intervention policy, I have no doubt that businesses – whether big or small – will step up to contribute way beyond their CSR obligations to make this happen.

What role does Social Finance India play within the social impact ecosystem?
I think that a lot more needs to be done in order to make mainstream finance available to social entrepreneurs. In India, for instance, social entrepreneurs now have some access to capital in the form of social impact equity investing, but they do not have comparable access to debt financing. So, making debt financing available for social entrepreneurship is clearly one gap that social finance is going to focus on.

The second one is trying to develop and deepen the space for outcome-based financing, especially for public health and public education. There, the goal is more ambitious as the aim is to create bridges between philanthropic capital and making philanthropic capital available subject to the delivery of well-defined and measurable outcomes.

One way that this can be achieved is through social impact bonds, but with what I call “Indian characteristics.” The traditional social impact bond will have philanthropy on the risk side and the government on the investing and outcome side. However, in India, the government is not ready at this time to invest in this kind of instrument just because of the political context of the country where the government does not want to be seen as providing money to private players directly for the purpose of delivering outcomes that they should be delivering. So what Social Finance India does is to look for philanthropic capital on both sides.

For example, can philanthropists play the role of risk financers, and CSR funding be the outcome financier? Could companies be allowed to invest in outcome certificates – regardless of whether they are issued by the government, or an NGO, or the government – as long as the outcome is certified by a trustworthy agency? In that sense, Social Finance India is trying to pilot, advocate and innovate the idea of vehicles like the social outcome certificate and prove that they are viable.

Moving ahead, what are some of the outcomes that you hope to see in the social impact space?
The new phrase is systems change. Traditionally, a lot of non-profits have been quite isolated, living in their own bubbles, but they need to realize that in order to achieve real impact, they have to engage and work with marketplaces and governments. I think that there is now proof of concept, at least in the Indian context, that you can do well and do good.

That said, there is a bunch of areas that are not amenable to delivery of double bottom-line type of results where there is actually a trade-off – where you cannot think about making a profit in the traditional sense. And yet, these services are absolutely vital and somehow need to be delivered to people. That space is either occupied by dysfunctional governments or NGOs that are not operating at scale, and addressing that group is the hardest. So in my own way what I’m trying to do, through the various activities that I’m engaged in, is experimenting with different axes that could address this space. For example, strengthening state capacity would be ideal as there is no better agent than the state to deliver quality health.

But how does one fix the state machinery? How do you motivate public school teachers to actually show up and deliver results for their students? How do you improve attendance and outcomes in public schools? So apart from solutions that might be indigenous to government itself, there might be a very interesting and important role for philanthropy to play here.

And this is the world of social outcome financing. Imagine for example, an Indian Administrative Service (IAS) officer or district officer in some district in India, who is using budgetary financing to reduce infant mortality in his or her district. Now, if that IAS officer could be convinced that he/she had access to philanthropic capital, provided he/she is able to demonstrate an outcome in
that district, that would change the incentive of that IAS officer overnight.

He/she would become a hero for having raised money from outside of government to refinance budgetary financing in the district because he/she has delivered measurable outcomes on public health in their district. So, it’s a collaborative solution.

The first axis is helping the state improve its own performance. Second, is improving the performance of state delivery through financing and collaboration with philanthropy. And then there could be other mechanisms, but my learning so far is that, in this very difficult space – where there are no profits to be generated – the nature of collaboration between public and private is very, very different from the nature of collaboration that you have in double bottom line.

So what that collaborative model – between civil society, private business, and government – in that space entails, is where, I think, we are going to have to be much more innovative and spend a lot more time finding answers to.
Lessons Well Learned

Pradeep Nair, Regional Director of Ford Foundation’s office in India, reflects on how the organization’s prior experiences were, in fact, valuable lessons in the making.

The Ford Foundation established its first overseas office in India in 1952, recognizing the importance of engaging in this region.

A Brief History
For the first few decades, the foundation focused on supporting government initiatives, helping set up institutes of higher education, research and think tanks. In addition to providing grant and technical support, the Ford Foundation also functioned as an implementing agency in the early years – especially in the agriculture sector.

Over time, in direct response to the changing needs of the region, the foundation’s role evolved. It moved away from direct implementation, to building networks and partnerships, with a wide and diverse set of stakeholders, even as the mission – working to find solutions to inequality and social injustice – remained unchanged. The many years of experience have provided rich learning opportunities and much food for thought, not only for the region but also lessons for global engagement.

Here are a few of the central lessons:

Lesson 1
Local Culture Matters
In the first few decades, the foundation’s perspective was focused entirely on the achievements and learnings from the global north (especially the US), and how those could be applied regionally. Over time, it became clear that solutions for the most intractable challenges in the region did not lie in US (Western) models alone, but often locally.

There were some instances where we pursued areas that were either not our core strengths or not especially relevant to the needs of our region. There were times when we rolled out programs that we thought would work in India.
but the results proved otherwise. This was either because our programs were not relevant locally or we were going at it the wrong way by failing to consider local sensitivities and culture.

As an organization, we have never been afraid to admit when something needs improvement, hoping that lessons learned will help us be a lot more deliberate in our decisions. Even though we work within globally defined parameters, our key question is: How do we go about localizing the programs to be more relevant to those whom we want to serve? We want to ensure that we pay attention to local voices in order to develop very context-specific kinds of programming and grant-making.

We do this by listening very carefully to those on the ground and including as many stakeholders in our decisions as possible. We have also built upon our recruitment practices, to both widen and deepen the skill sets we bring to our grantmaking teams.

"As an organization, we have never been afraid to admit when something needs improvement, hoping that lessons learned will help us be a lot more deliberate in our decisions."

PRADEEP NAIR
Lessons Well Learned

Lesson 2

Better Together

Listening to local voices leads nicely to the second big lesson: partnerships. At the time the Ford Foundation opened our office in India, we were one of the few international donor agencies in the country. It remained that way for several decades. Now this space is dominated by a multitude of players, and it has taken us a while to recognize that the most lasting and effective change we all seek would be much better served by partnering with each other. Ford Foundation certainly brings a wealth of experience and enduring engagement with civil society, but today, that alone is not sufficient.

We actively seek out and partner with a range of stakeholders, donors, civil society, government, and the corporate sector, with a view to leveraging the greatest impact on the issues we are all working towards. We realize and accept that each partner brings unique experiences, perspective and resources to the table, and the power lies in harnessing these in to on-the-ground changes.

Lesson 3

A Little More Conversation, A Little More Action

Expanding on the need for partners, we believe that the social eco-system in India could benefit from having more conversations. Direct dialogue allows us to share lessons, experiences, skills, resources, and sometimes just to provide an extra eye to identify those blind spots that we cannot see ourselves. The US for instance, has one of the more mature philanthropic ecosystems, something that we hope to see grow in India.

One of the things that Ford Foundation is focusing on, is helping to build this very ecosystem in India. We are in a position to help lay the groundwork of what could be a very robust philanthropic ecosystem in the country. It is a role that we take very seriously. We do this by encouraging conversation, opening up avenues for collaboration, or even playing the role of matchmaker, bringing various parties together. This is not saying that collaboration isn’t difficult – far from it – but it brings opportunities that would not emerge otherwise.

Looking forward, in the not too distant future we hope to see a robust philanthropic and social impact industry in the region, one that has a thriving ecosystem that nurtures productive and strong collaborations. And if Ford Foundation can play a part by paving the way towards that reality, then we would see it as a job well done.

We realized fairly quickly that if we really want to make an impact we would have to collaborate, because everyone has something to bring to the table.

Pradeep Nair is the regional director of Ford Foundation’s office in India. He started out his career, designing technology applications and launching start-ups in Silicon Valley, and then graduated to roles that allowed him to spend time understanding the social sector in Asia. Besides the Clinton Foundation, he has helped two other US organizations set up their regional operations in India and most recently, worked with Paul Volcker in New York, shaping the strategy at Volcker Alliance. Pradeep has taught development financing at business schools in India, and as an angel investor, works with social entrepreneurs in the region.
Navigating Digital Disruption

In the early 1990s, I started a company called TravelSmith, one of the first travel-focused clothing and gear catalogues. We were very lucky – the business did well and grew quickly. Along the way, the world was transitioning from analog to digital and TravelSmith had to navigate through that radical transition. In short: what started as a paper catalog business soon became an e-commerce business, and by the time I sold it in 2004, most of TravelSmith’s business was online. So I experienced, first hand, the power of digital media, but also the challenges of transitioning through a digital disruption.

I founded Living Goods in 2007 and today we support nearly 10,000 village health workers serving more than eight million people in East Africa. These women deliver life-saving treatments, pregnancy care, and family planning on-demand to patients’ homes. To make the model more sustainable, we empower these women as health entrepreneurs selling basic medicines and health products. A randomized study shows the model is reducing child mortality by over 25%. And because Living Goods employs a hybrid business model, the yearly net cost is less than US$ 3 per person reached.
Now Living Goods’ work in the health sector is going through a transformation similar to the one TravelSmith underwent – from an analog delivery model to the digitally-propelled model we have today.

Harnessing the Power of Digital Technology
When we started in Uganda in 2007, only about 20% of the population had mobile phones. By 2012, that proportion grew to roughly 75%, presenting us with a real opportunity.

The first thing we tried was using mobile phones to get rid of paper reporting and improve the speed and accuracy of our data. We began by trying to use flip phones and SMS to replace paper logs. This proved a miserable failure – texting loads of data was way too cumbersome.

But at that time, smartphones were just coming into the market. We noticed that the rate of adoption of smartphones in every single market was faster than even the mobile operators predicted. Even though almost nobody in Uganda owned a smartphone four years ago, we knew they would quickly become the norm. So, we decided to invest ahead of the curve and put smartphones in the hands of every agent and to build our own health app. This gave us a three-year head start on anybody else working with this kind of technology.

Leaping to the Future with Smartphones
We built the first generation of the app in-house and on the cheap with two young Kenyan programmers. It quickly exceeded our expectations. The percentage of data that we managed to collect went from 30% to 95%. And the speed
we got the data dropped from weeks to minutes – it was like shifting from bicycle speed to light speed. Today, of course, we take that kind of real-time data for granted but in Africa five years ago it was completely unheard of.

**Artificial Intelligence Reaches the Village – a Game-changing Transformation**

Initially, we used the app primarily for data-collection purposes, but we quickly realized that this technology could be much more transformative. So we set about building a simple but powerful AI-driven diagnosis and performance management system via the app. The upgraded app centerpiece is a smart algorithm that helps the health workers accurately and consistently diagnose the most common life-threatening diseases. It then sends automated SMS reminders to patients each day to ensure they complete their treatment. And for cases where the app refers to a facility, the agent gets a reminder to check the patient was seen.

We are in the business of saving lives. If you want to save lives, you have to identify which patients are at greatest risk. So our diagnostic tool automatically triages the highest-risk cases for prompt referral to a facility. Then, it reminds agents to follow up to make sure these patients get the help they need.

Like many other recent digital disruptions, the digital community health worker model puts power in the hands of consumers and makes accessing care vastly more convenient. Rather than travel long distances to a health center, hoping that medication is in stock, families can call their health worker anytime. They will come to them, use the SmartHealth app to determine an accurate diagnosis, and provide medication on the spot. Making it easier to access care means people will do it sooner in the course of an illness, thereby dramatically reducing the odds that simple things become deadly.

Leaders in health financing are increasingly seeing the potential of this approach. In fact, the Bill & Melinda Gates Foundation recently selected Living Goods to be its innovation hub in East Africa for testing the latest field-based technologies for improving health at the community level.

**Real-Time Performance Management**

The app has also helped us to manage our staff and their performance. It captures every patient touchpoint, including their name, cell number, GPS location, and time stamp. The app thus allows us to get real-time feedback on every health worker in every far-flung location. When our health workers open the app in the morning, they get a data-driven to-do list based on the needs of their patients.
By evolving our technology, we have streamlined the whole process and built an environment with radical transparency.

CHUCK SLAUGHTER
Creating Radical Transparency

This creates a new level of total transparency and accountability. Funders and health ministers can see outcome data instantly without waiting months or years for reports. You can imagine how attractive that makes Living Goods as a value proposition. Transparency is sorely missing in the world of philanthropy and our app has allowed us to build an environment of radical transparency. Now we are using this capability to offer grant makers the ability to fund digitally verified outcomes, rather than just fund inputs and hope for results. This innovative new financing model enables funders to vastly reduce the executional risk of their philanthropic bets.

Chuck Slaughter is the founder and Chairman of Living Goods, and serves as Senior Advisor to TPG’s Rise Fund, a US$ 2bn impact investing platform. In 1991 he founded TravelSmith, a travel gear company, and grew it to over US$ 100m catalog and online sales. As a private equity investor, he has participated in the acquisition of over US$ 2bn in consumer businesses. As its pro-bono president Chuck led the turnaround of a network of clinics serving the poor in Kenya. This inspired him to create Living Goods, which supports thousands of community health entrepreneurs who provide health care on-call delivered to the doorsteps of over six million people. Chuck has received a Skoll Award, an Ernst and Young Entrepreneur of the Year Award, a Draper Richards Fellowship, and is a World Economic Forum Social Entrepreneur of the Year.
China and the Power of Tech-Enabled Philanthropy

Technology is powering a new era of philanthropy in China, writes Dr. Edward Tse.

From e-commerce platforms and internet mobility service providers to AI and blockchain developers, Chinese technology companies are transforming China’s economy and changing entire industries – including philanthropy.

China has a long tradition of giving, although it stagnated for roughly three decades when wealth was nationalized under the rule of Mao Zedong. Today, China is home to more billionaires – 819 in terms of US dollars – than anywhere else in the world, outnumbering the US and topping the Hurun Global Rich List 2018. And China’s super-rich are increasingly engaging in philanthropic causes.

According to Harvard University and UBS, between 2010 and 2016, donations from the top 100 philanthropists in mainland China more than tripled to US$ 4.6bn, and 46 of the wealthiest 200 Chinese billionaires now have charity foundations. Giving is much more common among ordinary citizens as well. It was reported that early in 2016, more than 20% of the total charity in China came from individual donors, a number that has grown steadily over the years.

Corruption and Transparency Woes Impede Progress

Despite those growing numbers, the philanthropic industry has been plagued by corruption and a lack of transparency. These are especially prevalent with non-profit organizations that claim to be government-supported.

In 2011, for example, a woman named Guo Meimei received a substantive amount of money from an official at the Red Cross Society of China, then flaunted her luxurious lifestyle on social media. In 2012, to cite just one other example, the China Charities Aid Foundation was accused of money laundering and embezzling.
Donations from China’s top 100 philanthropists more than tripled between 2010 and 2016.
For private philanthropists, a number of institutional and social barriers make it difficult for them to build, promote, and sustain charitable organizations. Policies mandating high expenditure rates and low administrative costs are two such barriers. Private foundations are required to spend a minimum of 8% of their previous year’s assets, making it almost impossible to grow an endowment. As a result, philanthropy remains a largely monopolized, state-run sector, and donations are largely limited to a few causes: education, poverty alleviation, and healthcare.

Technology – the Great Game-changer

However, new technologies have helped bring innovative approaches to philanthropy and encouraged broader participation.

Tech giants, in particular, have already learned to take advantage of their branded merchandise to involve the general public in philanthropic activities. For example, in response to the 2008 Wenchuan earthquake in Sichuan, Tencent, the company behind China’s biggest social network as well as the largest gaming company in the world, established an online donation platform. More than half a million people contributed, raising a total of US$ 2.9m. Tencent added donation options to WeChat, the instant messaging and social media app with one billion monthly active users, and allowed users to give any amount with a swipe of a finger, making philanthropic engagement easier than ever.

New technologies have created more diversified ways of giving. The rising popularity of fitness apps in China has inspired tech companies to incentivize giving among the younger, more health-conscious, generation. Through the Xingshan (“doing good”) app developed by the Beijing-based company iMore, users record the number of steps they take each day, which is then “donated” to charities through corporate sponsors. By the end of 2015, users of Xingshan had walked a total of 2.8 million kilometers, raising more than US$ 4.6m for 52 different public welfare organizations and projects.

Facing the troubled reputations of charitable organizations, new types of charity platforms have stepped in to address both transparency and accountability issues. Real-time updates on donation collections, along with different verification systems, guarantee the funding reaches the right people at the right time. For example, JIAN Charity – launched by Alibaba’s Cainiao Logistics in 2016 – is an online donation platform where people can place orders and then track the real-time location of the items they donated.
When it comes to smaller donations – often a much more manual process – this kind of tracking can be challenging. By encoding the lifecycle of each donation on a blockchain, Ant Financial, a subsidiary of the tech giant Alibaba Group, addresses these transparency concerns and significantly reduces operating costs.

Embedded within a larger digital ecosystem like that of Alibaba’s, philanthropy has an even more magnified potential. On Taobao, an online shopping site, sellers can register for the “Treasures for Charity” program, allowing them to donate a portion of sales revenue to non-profit projects. Sellers not only draw more customers but this also boosts their conversion rate. Even though the per-deal donation can be as low as US$ 0.0058, the cumulative effect is significant: in 2017, 1.8 million participating sellers and 350 million buyers donated a total of 245m RMB (US$ 35.7m) to charity projects around the world – owing to the enormous transaction volume and user base on the e-commerce platform.

**A New Era for Philanthropy in China**

China’s private wealth continues to expand, and philanthropy in the country is on an undeniably upward trajectory. New technologies are unlocking more inventive forms of giving, which become more synergized with companies’ mega business ecosystems. Public awareness about philanthropy is rising, while non-profit organizations are regaining their credibility and trustworthiness. I expect a brighter future.

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*Dr. Edward Tie is the founder and CEO of Gao Feng Advisory Company, a global strategy and management consulting firm with roots in China. He is also the author of "China’s Disruptors".*
How Blockchain Could Transform Philanthropy

By Dr. Tomicah Tillemann
& Dahna Goldstein

After a torrent of media attention over the past 12 months, blockchain technology has shifted from the obscure to the mainstream. From the wildly fluctuating price of Bitcoin to tens of millions of dollars in digital assets donated to charities, much of the conversation has revolved around cryptocurrencies. But it is the technology behind those cryptocurrencies – blockchain – that has the potential to transform philanthropy and social impact.

At its core, blockchain is a record-keeping system (see p.93 for a more detailed explanation). While the cryptography that underpins blockchain is complicated, the benefits of the technology are simple: the system’s distributed structure and permanence could provide unprecedented efficiency and transparency in the philanthropic sector.

Efficiency and Transparency in Philanthropy
Philanthropic investments are frequently complicated by the need to obtain accurate, timely information from and about grantees and program performance. Without clear mechanisms to verify that funds are being put to good use, many donors that support international organizations give only to well-known organizations or to large, trusted groups that provide services abroad – even though grassroots civil society organizations (CSOs) may provide more cost-effective results.

In the US alone, foundations gave over US$ 60bn in 2014, the last year for which good data is available. The Center for Effective Philanthropy determined that 13% of every foundation grant dollar is spent applying for and reporting on grants. Those transaction costs reduce the
grant funds available for impact-related activities, and philanthropic dollars do not necessarily then flow to the most effective organizations.

And globally, at least some portion of international assistance is lost to waste, fraud, or corruption. The scale of the problem is difficult to gauge, but judging by the occasional audits of overseas aid, it could be considerable. The longer and more opaque the chain between donors and recipients, the more opportunities there are for money to be siphoned off.

A technology that dramatically reduces transaction costs, reporting burdens, audit expenses, and fraud would unlock billions of additional dollars for use in social impact work. A technology that allows donors to move resources to the most effective organizations – regardless of their size or geographic location – could redraw the map of the world’s philanthropic landscape.

Blockchain is that technology.

Blockchain-Enabled Philanthropy

Blockchain has the potential to do two things at once: increase donors’ confidence that their funds are being used wisely, and reduce the significant transaction costs associated with grant applications and reporting. That translates to more dollars going toward programs rather than transaction costs, and organizations spending their time serving those in need, rather than generating manual financial reports.

Blockchain could not only reduce corruption, but it
What is Blockchain?

At its core, blockchain is a record-keeping system. It differs from previous record-keeping systems in two main ways: it is distributed, and it is designed to be permanent.

Traditional Centralized Ledgers
Most traditional financial transactions are recorded in a centralized ledger such as a bank or credit-card statement. An intermediary – the bank or credit-card issuer – is responsible for ensuring the accuracy of the information.

Digitally Distributed Ledgers
Blockchain, by contrast, is distributed. Transactions are recorded on multiple ledgers on dozens – or even thousands – of computers around the world. These computers use a variety of mechanisms to agree about the accuracy and integrity of information entered into the system.

Linked Records
Once a transaction has been recorded by multiple computers, each new block of data entered into the system is mathematically linked to every preceding block. As a result, one piece of information in the system cannot be changed without changing all the information in the system.

Trusted Data
The distributed nature of blockchain means that if a bad actor were to somehow alter a transaction in one copy of the ledger, it would not sync up with other copies – it would be rejected by the network. As a result, blockchain systems have much higher levels of security, accountability, and transparency.

Beyond Bitcoin and Cryptocurrencies
While blockchain initially facilitated financial transactions using Bitcoin and other cryptocurrencies, its applications extend far beyond finance. Blockchain is being used in everything from tracking the origins of diamonds and fish in complex supply chains to providing low-cost crop insurance for smallholder farmers in developing countries.

The Blockchain Process
1. A new record is created
2. Before it is added to the ledger, it is verified by multiple sources
3. Once verified it is mathematically linked to every preceding record
4. A record accepted into the system is fixed. It can be added to but never changed, and so creates data records that can be trusted
could also increase the ability of grantmakers to support CSOs that have limited reporting capacity or lack an established track record of grant administration. Blockchain’s transparency means grantmakers can operate more easily – and with greater oversight and confidence – in markets they might have otherwise avoided.

**Beyond Theory: Current Blockchain for Good Use Cases**

The potential of blockchain is not theoretical. Applications in philanthropy are nascent, but there are examples.

The UN World Food Programme (WFP), for example, developed a blockchain-based system to distribute food to Syrian refugees in Jordan. Recipients get tokens in a digital wallet each month that can be exchanged for food and merchandise in local markets. The WFP then reconciles payments with vendors each month, bypassing escrow and bank charges while preserving payment security. The initial pilot in Jordanian refugee camps served 100,000 Syrian refugees and reduced bank transfer fees by 98%.

A social enterprise in the Netherlands has leveraged blockchain to build a system that allows customers to tip the individual farmer that grew the beans used to brew their cup of coffee. Similar approaches applied to the delivery of social and public services could prove transformational.

At a time when global challenges are mounting rapidly, improving the efficiency and impact of philanthropic capital is not only an opportunity, it is a necessity – one that blockchain has the potential to make real.
Endnotes


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Giving should be entered into in just the same way as investing. Giving is investing.
– John D. Rockefeller

John D. Rockefeller marks his 84th birthday by handing out a nickel to Robert Irving Hunter. New York, 1923.
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