BUILDING A BETTER WORLD

The Chandler Foundation Story
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The Impossible is Possible
From ancient Athens and Renaissance Florence to modern day Silicon Valley, history teaches us that creative societies are prosperous societies. Our dream is to see a world flourishing with everyone’s creativity. Is this possible? I believe so.

I grew up in New Zealand, a country that consistently ranks near the top of global prosperity indexes. Some people say New Zealand is not the end of the world – but you can see it from there. This country overcame its remote location to build a vibrant, healthy, and prosperous nation.

Since 2006 my company, the Clermont Group, has been based in Singapore – a country that vaulted from third-world to first-world status in a single generation. Today, Singapore consistently scores near the top of national prosperity rankings on several measures.

Neither of these two countries were endowed with large populations nor natural resources, and yet they have become role models for building prosperous societies.

Each country had to face significant challenges on their journeys. New Zealand lost its major export market when the United Kingdom joined the European Community in 1973. And Singapore separated from Malaysia in 1965 to resolve political and economic differences. The stories of these two countries show that prosperity is within the grasp of any nation.

The Elusiveness of Prosperity
While New Zealand and Singapore exemplify what is possible, for much of the world, poverty, disease, and conflict are their daily reality. And many nations lurch between these worlds, enjoying seasons of prosperity followed by seasons of economic recession and hardship.
Having spent my professional career investing in and building businesses in developing countries, I have witnessed the results of good – and bad – governance. The good news is that prosperity is not a mystery. However, governance that creates strong and prosperous nations is both a science and an art – and few governments master it. Can philanthropy play a role in helping to encourage good governance? I believe it can.

The Challenge of Combining a Social Conscience with Responsible Investing
The world is interconnected and codependent. As our neighbor suffers, so do we. As they prosper, so do we. Both poverty and prosperity are contagious. Helping others is not only a moral imperative, it is in our shared interest. If it is true that “it is more blessed to give than to receive,” then giving wisely reaps a double blessing. However, as anyone who has spent time in the philanthropic industry knows, consistently achieving good outcomes requires a rare alchemy of programs, people, and processes.

Casting Seeds on the Barren Fields of Poverty: Our Journey and its Revelations
As an industry, philanthropy is diverse and complex. Outcomes are often difficult to measure, and scalability and sustainability are a challenge both in non-profit and for-profit programs.

When we first started out in philanthropy in 1997, our focus was on poverty and disease. After much trial and error, we discovered that long-term answers to poverty lay not in addressing poverty’s symptoms, but in building the foundational elements for prosperity. Today our activities are informed by a more holistic understanding of how to build national prosperity and community well-being.

Total Game Understanding of Prosperity
The journey to prosperity is not inevitable. Some roads lead to prosperity, and others do not. Effective models, frameworks, and methodologies are the source of constant debate and disagreement. And while effective policy is often held hostage by political obstacles and ideologies, the tradecraft of implementation is rarely understood or practiced well.

In such a complex environment, a revelation of cause and effect is a priceless asset. The Chandler Prosperity Model is our “total game” model for building and sustaining prosperity. Not only does it identify the key factors and actors, it provides a framework that guides our investment strategy.

Together We Can Build a World Where Everyone Flourishes
The world’s tallest mountain, Everest, lies in the Himalayan mountain range between Tibet and Nepal. Named after George Everest, a British surveyor, in 1865, the mountain had developed a formidable reputation. From 1921, the British had tried – and failed – to scale it eight times.

Then in 1953, Britain assembled an expedition team consisting of over 400 people, including porters, sherpas, guides, and climbers. The team was led by Colonel John Hunt, a man with a skillset in logistics and planning. He had replaced Eric Shipton, an enthusiastic and visionary adventurer, but a leader weak on managing details. On May 29, the day came for the final assault. Hunt selected his two best men – Edmund Hillary, a New Zealander, and Tenzing Norgay, a Nepalese Sherpa. Hillary and Norgay stepped onto the summit and into the history books. Meticulous planning, skilled leadership, and humble teamwork had defeated the mountain.
It is not the mountain we conquer, but ourselves.

SIR EDMUND HILLARY
When it comes to scaling bureaucracies, navigating the crevices of corruption, and designing pathways to good governance and social well-being, partnership is key. The Chandler Prosperity Model highlights the multidimensional nature of prosperity. Could governments and donors improve their understanding and multiply their impact if they partnered together? I believe so.

Money Alone Doesn't Solve Problems
The America’s Cup is the oldest trophy in the history of international sport. Started in 1851, the cup is given to the winner of a yacht race that for many years was fought between the United States and Britain. After successfully defending the trophy 24 times over 132 years, America lost for the first time in 1983 to Australia.

Since this time New Zealand has won the cup more than any other nation. The America’s Cup involves developing and integrating complex technology. It therefore favors teams with large budgets. The New Zealand team consistently has the smallest budget, sometimes by a wide margin.

In the most recent race, held in Bermuda in 2017, the New Zealand team defeated the USA team by eight races to one. New Zealand once again under-spent but out-innovated, out-managed, and out-navigated the Americans.

It is clear to me that while development practitioners often highlight the significant amount of capital needed for various initiatives and programs, far greater attention should be given to how it is spent. Each year vast sums are spent by governments, multilateral agencies, non-governmental organizations, charities, and philanthropists. Much of it is wasted or inefficiently spent. Could more countries be winning the war on poverty – and spending less in doing it? I believe so.

Leaders Who Sweep the Sheds Understand the Issues
New Zealanders love to take on impossible missions with a mix of imagination, creative innovation, pragmatic execution, and team spirit. Nowhere is this more evident than on the sports field.

The New Zealand rugby team, known as the All Blacks – for the black jerseys they wear – are one
of the most successful international teams in the history of sports. Their win record is 77% since 1903. One of the reasons this team sustains its record is culture. No task is beneath the captain. He will often be found “sweeping out the sheds” (changing rooms) after a game. Humility is a trait that increases adaptability and openness to ideas.

The development industry is replete with masters of theories, philosophies, ideas, conferences, and powerpoint presentations. But too few leaders or organizations master the “ground game” – the ability to get on the ground, understand the issues, set priorities, and execute projects that deliver lasting impact. Do I think more pragmatism and the application of relevant business skills and investing principles would be helpful in achieving better outcomes? I do.

Applying Business and Investing Principles to the Social Sector

Businesses, governments, and philanthropists are all concerned with good stewardship, and effective capital and resource allocation. Many of the principles that underpin successful businesses and financial investment firms translate into the philanthropic realm. These principles include the proper analysis of investment projects and especially the elements of scalability, sustainability, risk, and reward.

In my view, social investors could benefit by focusing more attention on two areas. First, developing a better understanding of the total game, one that distinguishes between symptoms and causes. That includes all the dimensions and actors relevant to a given issue. Second, placing more focus on understanding execution risks. For example, pilot programs establish viability and create performance metrics. Other aspects include co-investments by state and local partners, ethical conduct, project milestones and sustainability.

Good Governance Leaves No One Behind

“Everything that is really great and inspiring is created by the individual who can labor in freedom.”

– Albert Einstein

In 1893 New Zealand became the first country to give women the right to vote in parliamentary
elections. The country recognized a universal truth that Martin Luther King would echo seventy years later, when he stood at the Lincoln Memorial in Washington, DC. He told the American people about his dream – that “one day this nation will rise up and live out the true meaning of its creed... that all... are created equal.”

As time has passed, we have seen the march of freedom increasingly reach people of all genders, races, and creeds. However, one group is still waiting for their freedom: the countless millions held back by the chains of poverty. These people have dreams to rise above their circumstances and contribute their talents to the world. But for many, social mobility and vocational opportunities are out of reach. The roadblocks to their creative liberty, respect, and dignity are found in weak governance, corruption, and broken social and economic systems.

So what do these people do? Many of them emigrate in search of better opportunities. Today we see streams of migrants from Central America trying to reach the United States. And on the shores of North Africa people set out daily in over-crowded boats to Europe. Many never arrive. They drown with their dreams.

The Goodness of Business
My mother grew up in the part of communist Yugoslavia that is now Croatia, in the aftermath of World War 2. My mother’s family was poor, their land confiscated by the communist party. Her father was reluctant to pay for her education, especially as she was a girl. So she learnt to knit as a young child and sold the garments to pay for the bus fare to school.

Seeing a future of limited opportunity, she emigrated to New Zealand where she started a retail business. With hard work and passion the business flourished, enabling my parents to provide for the well-being and education of their family – as well as serve their customers, create jobs, and pay tax revenue to the government. The multiplier effect of a healthy business was self-evident.

My parents’ business story is a common one, shared by entrepreneurs around the world. And their legacy does not stop with their generation – it continues today with the Clermont Group, an organization that employs over 5,000 people around the world in healthcare, financial services, and aerospace.

Character is Destiny
My father was a beekeeper. He learnt the trade from Percy Hillary, the father of Edmund Hillary. He made a type of honey known as manuka. While today manuka is appreciated for its health-enhancing qualities, in the 1950s it was not popular. He gave up beekeeping and built apartments near the local hospital, which he rented to nurses. He then saw my
mother’s passion for retailing and they took a risk by acquiring a failing business.

Growing up my father always taught us that “honesty is the best policy.” He enjoyed reading books by American success writers such as Napoleon Hill and Dale Carnegie. His father was American, but he had died when my father was just one-year old, leaving behind a widow with six young children. He then lost his two brothers in World War 2. They were fighter pilots in the British Royal Air Force (RAF).

The Chinese philosopher, Confucius, said the strength of a nation derives from the integrity of the home. Our home was anchored in the values of my parents. The same is true for any tribe, company, or country. When we look at the role of values in governance we see that no country is prosperous that does not have integrity of leadership. Honesty builds trust. Trust attracts investment, investment builds prosperity.

After several hundred years experimenting with socialism, communism, capitalism, and combinations of these systems, we know that free markets and a vibrant private sector are the keys to building a prosperous and healthy middle class. Each year, the World Bank produces an *Ease of Doing Business Index*, which ranks nations according to their support for business. In 2019 New Zealand was ranked first, and Singapore second. This index is a useful gauge indicating which countries are serious about constructing an environment where business prospers, the middle class expands, and the nation grows in strength and influence.

I believe that business delivers greater social good than philanthropy, but a combination of business and philanthropy can make the greatest impact of all. Our businesses not only create goods and services that serve society, they give us a valuable understanding of the challenges of building vibrant economies – especially when these businesses are in developing countries. And our philanthropic activities not only directly improve the lives of many, they also remind us that the purpose of business is to elevate mankind.

**Sharing the Lessons**

For more than two decades we have experimented and innovated with building or resourcing organizations on the front lines of human development. We have seen both success and failure. In this document, we share some of the lessons we have learnt on our journey. We hope it is helpful to you.

*Richard F. Chandler*

Founder and Chairman, Chandler Foundation
Pioneering Performance Philanthropy
In 1997, Richard and Christopher Chandler met with Sir John Templeton, one of the world’s most successful investors and philanthropists. During that meeting, they discussed the challenges of philanthropic giving. Some time later, Sir John wrote a letter to Richard where he shared: “Being engaged in philanthropy has been the most exciting and enjoyable experience of my entire career. I know that you will find great joy in well-managed, strategic giving.” In the same year, the brothers started their first philanthropic venture, Geneva Global, the world’s first “philanthropic investment bank.”

Geneva Global, based in Philadelphia, United States, advised wealthy individuals and their foundations on how best to allocate their philanthropic capital. The organization was established to answer the question: “Where would the incremental dollar of philanthropic giving make the greatest difference?”

Geneva Global looked for small, successful, and unsung programs in the most turbulent reaches of the world, matching donors to initiatives in areas of their choosing. It built particular expertise in responding to humanitarian crises, such as the HIV/AIDS epidemic, and also in combating human trafficking and modern-day slavery.

While Geneva Global achieved notable successes, Richard soon realized that many of these initiatives often addressed the symptoms of poverty, not its root causes. This recognition inspired Richard to consider a new question: “Rather than try to solve poverty, how could we create prosperity?”

Building Social Enterprises
Richard embarked on a new approach in 2007. Moving from philanthropy to impact investing and social entrepreneurship, he created for-profit social businesses to address the needs of the urban poor and emerging middle class in large developing countries. He believed that social enterprises produced more sustainable outcomes than philanthropy-dependent initiatives.

Through his experience and research, Richard identified two sectors as crucial pillars of well-being and prosperity: healthcare and education. He also saw that the emerging middle class was a core engine of growth in developing economies. Driven by these new insights, he established

Being engaged in philanthropy has been the most exciting and enjoyable experience of my entire career.

SIR JOHN TEMPLETON
Creative World, a division focused on building scalable social businesses in the mega cities of large developing countries.

Within a few years, Creative World had built, bought, and operated healthcare and education businesses in seven Asian and African countries. It adopted a “boots on the battlefield” mindset, investigating opportunities, and then acquiring or building businesses. After initially focusing on the poor at the bottom of the economic pyramid, he discovered that the emerging middle class was the demographic that would create the greatest impact on the prosperity of the broader community.


In 2009, Viva Healthcare was established, opening its first affordable clinic in Hyderabad, India. Over the next four years, Viva grew across seven countries and built an array of healthcare businesses, including polyclinics, pharmacies, medical equipment, and a maternity hospital.

Newton International launched in Bangladesh in 2011, with a vision to close the gap between the school system and the job market. Many Bangladeshi students were simply not prepared for the available jobs. Newton focused on building workforce skills and helping graduates find those jobs.

Over time, an assessment was made that these businesses would be better run directly by the entrepreneurs charged with building them. In 2013, Creative World transitioned many of these businesses to their local management teams. One business that was retained was Hoan My healthcare in Vietnam. While small at the time, Richard invested capital and resources turning Hoan My into the country’s largest healthcare company. Today its 15 hospitals serve over 3.5 million people annually.

Advancing Social Justice

In 2008, Richard broadened his focus to social justice. He established Freedom to Create (FTC) in the belief that freedom of creative expression is a cornerstone of just and fair societies and is essential to fostering peace and prosperity.

FTC operated as a non-profit organization that delivered programs promoting social justice and creative expression. It awarded an annual prize celebrating the courage and creativity of artists who used their talents to build social foundations and inspire the human spirit. It also ran a program of grants, exhibitions, and forums to celebrate artists who used innovative approaches to foster social harmony.
A Total Game Approach to Prosperity

As Richard began to think more holistically about the systems and structures that create enduring prosperity, he developed the Chandler Prosperity Model, which guides the social investing and grant-making of the Chandler Foundation. The model is built on the insight that building and broadening prosperity requires good national governance, a thriving private sector, and solid community foundations in health, education, and economic opportunity.

Established in 2013, the Chandler Foundation’s purpose is to build healthy communities, vibrant economies, and strong nations. Today, the question that guides us is: “What are the investments that can improve national governance, better the conditions for private sector development, and build stronger community foundations?”

The foundation draws on two decades of learnings and lessons. Rather than operating our own initiatives, we carefully select and resource proven organizations that have a track record in the area of focus.

Transforming Systems through Partnership

Realizing that no one person alone can move the needle, Richard decided to harness the power of partnership. In 2017, he joined Bill and Melinda Gates, Jeff Skoll, and the Rockefeller Foundation as a founding core partner of Co-Impact. In the years since its founding, new core partners that have joined Co-Impact include Rohini and Nandan Nilekani, as well as the ELMA Foundation.

Co-Impact is a new model of collaborative philanthropy that brings together some of the most experienced foundations and leaders to focus on systems change by combining ideas, insights, and relational networks. It is led by the founding director of the Giving Pledge, Olivia Leland.

Co-Impact will invest US$500m in tackling the structural causes of poverty, disease, and conflict – rather than the symptoms of broken systems. It has the potential to transform the lives of millions of people around the world.

Country Governance and Nation Building

The years that were spent working to foster prosperity led Richard to an important revelation: that no matter how sound the plan or how compelling the mission, the success and sustainability of social change initiatives were wholly dependent upon their enabling environment. In short: business and social investment lack effectiveness and sustainability where there are weak governments, poor regulation, or ineffective legal systems.

Hence, to complement the Chandler Foundation, the Chandler Institute of Governance was launched in 2019 to focus on governance. Based in Singapore, the Chandler Institute partners with governments, state leaders, and city leaders on programs that improve the quality of governance.

Informed by the experiences of successful countries such as Singapore, South Korea, Denmark, and New Zealand, the Chandler Institute has a unique understanding of the foundations of national prosperity rooted in good governance, sound policies, and a world-class civil service.

Through its rigorous capability development programs, practical and actionable research, and strong relational networks, the Chandler Institute supports national leaders and public officers as they rise to the challenges of governance.

The Chandler Institute aims to train and equip leaders on the architecture and systems of governance in order to create effective institutions, wise policies, and responsible resource management. This, in turn, helps to build national trust and prosperity, allowing the Chandler Institute, together with the Chandler Foundation, to work towards its vision of a world flourishing with everyone’s creativity.
Our Dream:
A WORLD FLOURISHING WITH EVERYONE’S CREATIVITY

Richard Chandler sets out the dream of the Chandler Foundation.

Florence and the Renaissance of Prosperity
I first visited the Italian city of Florence in 1976. At the time I was just a teenager and my mother was introducing me to Europe for the first time. While I had grown up in New Zealand, my mother was born in Croatia – a country that neighbored Italy and with whom it shared the beautiful Adriatic sea.

My mother had a classical education and was a supremely capable guide. As we navigated the city that ushered in the Renaissance, and in so doing changed the course of history, I became captivated by the spirit, soul, and story of Florence.

Some twenty years later, I renewed my acquaintance with the city. By this time I had been living in France for a decade and Florence became my classroom for culture, history, art, and language. I spent several months each year learning about its history – the story of how one city became a center of progress and prosperity that was unrivaled in its time.

When one is searching for a model of what building prosperity looks like, it is hard not to begin with the example of Florence. In an age when prosperity was linked to maritime trade, port cities had natural advantages. This was a time when Marco Polo (born on the Croatian island of Korčula) was setting out for China from Venice. And a few centuries later Christopher Columbus would depart his home in Genoa for Spain and ultimately arrive in America.
Florence, by contrast, was land-locked and possessed few natural attributes. That is, until the Medici family started a bank, became prosperous, and ended up governing Florence for almost 400 years. Florence’s rise is a story of governance and leadership creating a system that encouraged innovation, liberty, risk-taking, trade, and commerce. The benefits went far beyond economics – the worlds of art, science, astronomy, architecture, faith, and medicine all advanced. The Renaissance is a rich and storied tapestry of milestones. Michelangelo sculpted “David”, Leonardo da Vinci imagined flight, Botticelli painted “The Birth of Venus”, Copernicus postulated that the earth revolved around the sun, Brunelleschi designed the Duomo – the architectural masterpiece that dominates the skyline of Florence – Dante wrote the Divine Comedy, and the Medici pioneered trade finance with the adoption of letters of credit and double-entry bookkeeping.

Marsilio Ficino, a Renaissance philosopher in the House of Medici – and the hidden architect of the Renaissance – describes the revelation that man is naturally creative and called to greatness. Ficino says:

“It was not for small things but for great that God created man, who, knowing the great, are not satisfied with small things. Indeed, it was for the limitless alone that He created man.”

Ficino’s insight leads to the proposition that governments which give their citizens the freedom to create will see prosperity as a naturally occurring result. Without the enlightened governance of the Medici, Florence would have remained a small city in rural Tuscany.

Our North Star: Creative Societies are Prosperous Societies

For many years, I read, studied, and reflected on the nature of prosperity and sought to understand and articulate cause and effect. At the same time I experimented with philanthropy across sectors, countries, and cultures. After ten years I landed upon a revelation that made sense to me. Wherever communities, cities, or countries nurtured creativity, their economies flourished.

This insight became the Chandler Foundation’s North Star: “Creative societies are prosperous societies.” Renaissance Florence was the landmark example in history, but the same could be said of the golden ages of civilization – the classical Athens of Pericles, the Rome of Augustus, or the Persia of Cyrus the Great. When governance expanded opportunity and empowered creativity, societies flourished.

The Chandler Foundation looks for programs that expand and release the creative potential of all people. Our dream is a world flourishing with everyone’s creativity.

Not Everyone has the Freedom to Create

Sadly, many people on the planet do not have access to basic healthcare, education, or meaningful economic opportunity. And millions lack food, clean water, or housing. Hence, a large part of the world’s population simply does not have the ability to fulfill their potential and contribute their creativity to making our planet a peaceful and prosperous community. This loss of creativity, when looked at globally, represents an enormous “prosperity gap” – and it is responsible for a large hole in the well-being of the world.

The primary reason many people are unable to flourish and effectively participate in the broader economy is due to a failure of governance and institutions. Prosperous countries are built on a foundation of good governance, strong institutions, a culture of diligence and thrift, a dynamic private sector, and healthy, educated communities.

In poor countries, aid, charity, philanthropy, and development agencies work to compensate for
weak governance, bureaucratic and corrupt institutions, inefficient public services, and misdirected and wasteful resource allocation. However, no country has ever built a prosperous society or strong economy primarily through aid. It has always been entrepreneurship, innovation, and trade that create wealth.

As social investors and capital allocators to the philanthropic industry, we make a distinction between treating the symptoms of poverty and building the foundations of prosperity. We have a bias for building the foundations for a broad prosperity over stand-alone poverty alleviation programs.

The Rise and Fall of Nations
Building a strong and prosperous nation is a significant challenge. History shows us that nations rise and fall and their prosperity ebbs and flows. The Macedonian empire of Alexander the Great stretched from Athens to Asia. Little remains today. The Mongol empire of Genghis Khan was seven times larger than Alexander’s. Today, Mongolia is a country with a small economy and little influence in global affairs. China and India were powerful nations in the 15th century – and then declined. Today they are regaining their former place.
The Art of Governance and Culture of Prosperity
The story of history is that prosperity, once achieved, is difficult to sustain. The reasons are many, including war, weak institutions, poor leadership, corruption, and a failure to maintain a strong economy. National leaders often prioritise maintaining political power over improving the architecture, systems, and long-term sustainability of government. Part of the reason is that the domain of governance is not well understood. We have established the Chandler Institute of Governance to help fill this gap (see page 40).

Alongside governance is the role of culture and ideology in building and sustaining prosperity.

It is clear that some cultures – those that value education and encourage and incentivize creativity, entrepreneurship, and risk-taking – outperform economically. And for prosperous countries, sustainability requires an ideology and system where property and wealth are respected and protected – but also where economic opportunity and social mobility are accessible to all.

A Journey of Revelation and Reinvention
Navigating a path to good results in the philanthropic industry is marked by great challenges and many mysteries. For people of purpose and destiny who want to leave their mark on the world, philanthropy is often a humbling,
difficult journey. Early years are filled with hope and wonder at the enormity of the opportunity. Then, after several years, there is disillusionment with the lack of progress. In a world of complex problems, the solutions often require navigating a labyrinth of dysfunctional government policies, corruption, and lack of capacity. Finally there are, with more humility and wisdom, hard-fought revelations and relational networks that come together to create better outcomes.

**Destinations, Not Just Progress**
A famous prophet said many centuries ago that “the poor will be with you always.” This does not mean our cause is a lost one, and that a prosperous world is an impossibility. But it does make us aware that building prosperity is a long-term game. It involves changing systems, values, and behaviors – and that can take decades, if not generations. Viewed through that generational lens, the journey becomes as important as the destination. In time, we become aware that the journey has forged a better seed and that seed is us.

**Mentors and Heroes**
We have found the global development landscape full of “champions” – exceptional leaders and organizations working on the frontlines of development. This community carries a heart culture and passion that are both an inspiration and an example. It is a privilege to partner with them in resourcing their mission and becoming part of their story. And we love to honor and celebrate them.

These leaders often become important mentors, role models, and encouragers in our own lives. When we see the inspiring work these organizations are accomplishing we think bigger and aim higher. In the atmosphere of heroes the impossible looks logical. They help us to keep our own dream alive – that one day we will see a world flourishing with everyone’s creativity.

**A Prosperity Gap Remains**
Despite global progress in the number of people who have stepped out of extreme poverty, a prosperity gap remains as to the potential for the global economy. In 2018, nearly 60 percent of the world’s total GDP of US$ 86 trillion came from the 30 richest countries, which represent only 14 percent of the global population. If people in the remaining 192 countries of the world were given the same opportunities to create and contribute, global GDP could increase to US$ 365 trillion. This US$ 279 trillion difference between what is produced and what could be produced with a creatively empowered global population is what we call the “prosperity gap.”

Although we recognize that prosperity is not defined by GDP and material wealth alone, the gap reveals the untapped potential of people around the world who have not been given the freedom and opportunity to create and are inhibited from climbing the social mobility ladder by weak and unjust institutions. We approach the prosperity gap using the framework of the Chandler Prosperity Model – a model we believe can provide a road map for closing the gap and expanding opportunity.
Changing our Lens: From Poverty to Prosperity

The world spends over US$ 100 billion on official development assistance each year, in addition to private social investments and charitable donations directed toward addressing global poverty. How those resources are used and the impact they achieve deserves more attention than how much is spent. For many countries, large amounts of aid have not ignited “escape velocity” out of poverty. Finding more impactful ways to direct the resources will be more effective than spending more resources in ways that have not achieved success.

For this, we need a new paradigm of thinking that integrates both top-down and bottom-up approaches. This means tackling issues of good governance, smart policies, and marketplace systems and structures, alongside broadening the reach of basic healthcare, education, and economic opportunity – so that all may contribute toward, and share in, greater prosperity.

We believe that the starting point is to ask the right question: what if rather than trying to fix the intractable problem of poverty, we instead focused on building and broadening prosperity?

This is not a rhetorical question about whether a glass is half full or half empty. Rather, it is central to determining the best approach to the most urgent problem of our time – how to sustainably unlock dynamic, broad-based, and transformational opportunity and prosperity in low-resource settings. If we hope to achieve a more durable impact, then we must pause here and ask what difference would it make if we placed more emphasis on building and broadening prosperity rather than just addressing the symptoms of poverty? If prosperity and poverty are two sides of the same coin, then simply put, more prosperity equals less poverty.

On this question, we agree with Harvard Business School’s Clayton M. Christensen, Efosa Ojomo, and Karen Dillon in their book *The Prosperity Paradox*. “It may sound counterintuitive,” the authors write, but “enduring prosperity for many countries will not come from fixing poverty. It will come from investing in innovations that create new markets within these countries.”

This requires a holistic approach – with inclusive prosperity as its goal. The strategy focuses on bringing together government, the business sector,
and communities to create the enabling conditions for broader prosperity and human flourishing.

**The Architecture of Prosperity**

Most experts agree on the pieces that comprise the prosperity puzzle: good governance, accessible and quality healthcare and education, functional infrastructure, a fair marketplace, and security all have important roles to play. Debate and confusion emerge when we try to determine which comes first, in what order the rest follow, and what is the minimum required of each ingredient and the optimal ratio.

Many development economists argue that good governance, in the form of laws and institutions, is a bedrock of prosperity. As a 2013 op-ed posted on the World Bank’s website argued: “No end to poverty without better governance.”

In addition to governance it is widely accepted that a good business climate is key to investment and job creation. A 2019 World Bank working paper

**The Chandler Prosperity Model**

The three levels in this model highlight the multidimensional nature of prosperity. The levels can either create or impede an individual’s opportunity to climb the Social Mobility Ladder and are the building blocks through which governments unleash the Governance Waterfall and build trust.

*Each nation has its own identity and story anchored in heritage, culture, values, and traditions.
on Business Regulations and Poverty concluded that "the conduit for poverty reduction is business creation, both as a source of new jobs and as a manifestation of thriving entrepreneurship."

Social scientists have long recognized a role played by culture in explaining the different growth paths of countries, communities, and individuals over time. Culture is formed in families and communities and reinforced by education, heritage, traditions, and other societal systems and structures. Those systems and structures can either reward hard work, risk-taking, innovation, and fairness – or not. Confucian values have been credited as an accelerator of prosperity in many Asian countries. Numerous scholars have credited a “puritan work ethic” characterized by discipline, hard work, fairness, and frugality as playing an important role in the economic development narrative.

We believe all are key elements of the prosperity puzzle – and that they are intertwined. Governments, businesses, civil society, and individuals all have important roles to play. Governments bear primary responsibility for building the institutions, policies, infrastructure, and systems that create security, safety nets, and encourage entrepreneurs and businesses to generate jobs, goods, and services. This is what we call the Governance Waterfall.

Entrepreneurs and business leaders must take advantage of this governance waterfall and seize the economic freedom and opportunity to start and grow businesses that generate jobs, incomes, and wealth. Business leaders must also act responsibly in the public interest and prioritize purpose and principles in their pursuit of profits. And individuals must feel secure enough and have both a fair opportunity and the drive to invest their time, talents, and resources in bettering their lives and communities. We refer to this as the Social Mobility Ladder.

And while the Chandler Prosperity Model describes three distinct levels through which the Governance Waterfall and Social Mobility Ladder traverse on the far right and far left of the model, we believe the levels are interconnected, and reinforce – or undermine – the others. The model encapsulates the simple big idea that governance, marketplace, and community levels all have critical – and complementary – roles to play in creating prosperity. And the Social Mobility Ladder and Governance Waterfall highlight the important themes of opportunity and trust in building and broadening prosperity.

Level 3: The Foundations of Healthy Communities

Social mobility – the ability to embrace one’s dreams and build on the foundations and heritage of one’s family – depends on a number of factors. At an individual level, education and health are important. At a community level, peace and security are essential. And at an economic level, vocational skills and access to credit, land, and opportunity are key.

Peace and Security

Peace and stability are inextricably linked with development, just as we see that conflict and insecurity are connected to poverty. The costs of conflict and insecurity are severe and spill over into every aspect of a country’s development: stunting its economy, weakening its governance, and hindering its ability to educate its people. The World Humanitarian and Data Trends Report 2016 estimates that conflict and violence costs the global economy US$ 14.3 trillion, or 12.6% of global GDP. Indeed, it is no coincidence that the vast majority of the world’s poor live in failed or fragile states characterized by conflict.
Total Game Understanding of Prosperity
Calling a country “prosperous” is often shorthand for saying that it is wealthy, and a single metric still dominates many discussions of development: GDP. Economic output, income, and wealth are, of course, important pieces of the prosperity puzzle – but far from the only ones. As Robert Kennedy said in a 1968 speech, “GDP measures everything . . . except that which makes life worthwhile.”

GDP may measure the quantity of prosperity in a given country, but the quality of prosperity is at least equally important. The quality of prosperity is determined by factors including social mobility, equality of opportunity, safety, health, and personal freedoms.

Our Chandler Prosperity Model highlights that the pieces of the prosperity puzzle are varied and interrelated. They bridge, civil society, business, and governance. The pieces of the prosperity puzzle include top-down initiatives such as capable government institutions and smart policies. They also include bottom-up, community-based programs that deliver basic health, education, and economic opportunities, or that strengthen families, community and core values. The different levels are interrelated. Even the most basic human and community needs – security, healthcare, education – are strongly influenced by forces at the governance and marketplace levels.

The Multidimensional Nature of Human Flourishing
These different components of prosperity – we identify 15 within the Prosperity Model, and 30 between the Social Mobility Ladder and Governance Waterfall – highlight the multidimensional nature of human flourishing, and underscore the intricate complexity of creating and sustaining it.

A number of indices and rankings are trying to capture a more holistic view of prosperity. The United Nations Development Programme has created the Human Development Index and the Global Multidimensional Poverty Index, both of which “emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone.” The Social Progress Index was created by a team of US economists from Harvard and MIT and incorporates measures of health, safety, personal freedom, and inclusiveness. The Legatum Prosperity Index is built from nine pillars, including “governance,” “the natural environment,” and “social capital.”

Not Everything that Counts Can Be Counted
When compared with GDP, many of these nonmaterial aspects of well-being can seem subjective given how difficult they are to measure, and the picture of prosperity they paint can seem less tidy than a single figure. But this multidimensional portrait of prosperity, which incorporates those areas that “make life worthwhile,” is more accurate, recognizing that human flourishing cannot be measured by money alone.
UNESCO has called education “the most basic insurance against poverty” and measured its influence on a nation’s economy: each additional year of schooling that students attend raises, on average, a country’s annual GDP growth rate by 0.37 points. In sub-Saharan Africa, 36% of the adult population remains illiterate, while once-impoverished countries such as South Korea and Singapore boast near-100% literacy rates and some of the world’s highest GDP per capita.

The challenge is simultaneously opening the door to education for children in low-income countries – there are more than 263 million boys and girls out of school worldwide – and improving the quality of the education they receive. Educating girls has an especially powerful impact on development: women with secondary school
Each additional year of schooling that students attend raises, on average, a country’s annual GDP growth rate by 0.37 points.
education earn almost twice as much as those with no education at all and the impact is generational, as their children are healthier and more likely to achieve better educational outcomes. Moreover, while men typically reinvest 30% to 40% of their income in their family or close community, women typically reinvest 90%, making women a key lever for investing in families.

**Healthy Communities Outperform**

Healthy populations outlive and economically outperform unhealthy ones. Illness and lives lost translate not only into personal tragedy but also lost productivity. Almost 3 million people die each year from vaccine-preventable diseases, with a majority of those coming from low-income countries. Meanwhile, roughly 100 million people have been pushed into extreme poverty paying for healthcare. As with education, the challenge is two-fold: improving access for those beyond the reach of healthcare — half the world lacks access to essential health services — while also improving the quality of care they do receive, as many public healthcare systems find themselves overburdened and underfunded.

**Economic Opportunity for All**

While healthcare, education, and security heavily influence a person's ability to realize their economic potential, they do not guarantee economic opportunity. They simply equip individuals with the skills, talents, and health to take advantage of existing jobs and work opportunities. But they do not create those businesses and jobs.
Level 2: The Marketplace and Middle Class are Engines of Prosperity

In his 1936 work *The General Theory of Employment, Interest, and Money*, John Maynard Keynes highlighted the link between a nation’s middle class and economic growth. Many before and after Keynes have traced the ascendancy of advanced nations to a growing middle class. A study by economist William Easterly found that a vibrant middle class is associated with economic growth. Historian Jan De Vries also noted that in the century before the Industrial Revolution, the middle class expanded considerably, driving demand for innovation and consumer goods. These are promising studies for our times as the membership in the middle class has never been larger. The Brookings Institution estimated in 2018 that “half the world is now middle class or wealthier.”

The “economic engine” of sustainable development is the marketplace. Thriving businesses stimulate economic growth and job creation. For this “engine” to run smoothly it must be supported by a strong marketplace infrastructure and nurtured by a healthy business culture and climate. Countries where property rights are respected and protected, and where people have ready access to capital, encourage entrepreneurs to take risks, build businesses, and invest their profits in growth and innovation. When these key structural elements are absent, businesses produce a fraction of the productivity and wealth they otherwise might. Increasingly, fostering the development of a vibrant marketplace and businesses – which are responsible for the growth of the middle class – means focusing on urbanization and cities.

**Urban Centers of Development**

The world is urbanizing. More than half of the world’s population now lives in cities and that share is growing. Urban dwellers also make an outsized contribution to the global economy, producing more than 70% of the world’s GDP and generating 80% of all new high value-added jobs. Global and historical trends in rural-urban migration demonstrate that cities provide more economic opportunity and higher incomes than rural communities. Cities also provide their residents with better access to infrastructure, information, modern technology, and markets. As a result, cities are the world’s hubs for innovation, trade, production, and creativity.

Many have focused on facilitating rural-to-urban migration as a tool for reducing poverty. But not all urbanization is progress. We need to ensure...
that rural migrants are equipped with the skills and resources necessary to participate in the urban marketplace and are pulled to the city by its vibrant economy, rather than pushed to the city as desperate refugees from rural poverty, climate change, or conflict. By 2050, an additional 2.5 billion people are projected to live in urban areas, highlighting the need to ensure that migration from rural to urban areas is a move of opportunity, not desperation. With this in mind, urbanization and cities are key to building a more prosperous world.

**Business Culture and Climate**
The 2019 World Bank study, *Business Regulations and Poverty*, found that when a country raises its Ease of Doing Business score by 10%, it sees a 2-percentage point reduction in its poverty headcount. Countries that create the appropriate legal, regulatory, institutional, and procedural infrastructure unleash the power of the private sector to create jobs and power economic growth. The culture and practices of the business community can also play a significant influence. An economy where bribes are written off as “the cost of doing business” is stifled and inefficient; a country where contracts are awarded to family members of government officials rather than qualified bidders loses out on innovation and participation.

**Access to Capital and Property Rights**
For many below the poverty line, the inability to access or high costs of financial services often constrains them from escaping the poverty trap. The lack of financial services can prevent the poor from insuring against risk, prevent would-be entrepreneurs from starting or growing businesses, and prevent subsistence farmers from increasing productivity and moving into more remunerative work – all of which stifles the creation of jobs as well as the delivery of important goods and services.

Access to affordable capital is essential for building and broadening prosperity. So too are secure property rights. The World Bank calls land and housing “the most important assets for the poor,” yet by their own estimates a majority of the world’s population lacks secure rights to their land and property – a disproportionate amount of whom are women. When people can strengthen and formalize those rights, not only do they acquire assets upon which they can borrow and invest, the land they own becomes more productive. As a result, their health and the health of their families improve, and the enrollment of their children in schools increases.

**Level 1: Good Governance, Leadership and the Role of Trust**
Confucius once said “without trust, a people cannot stand.” It turns out, this is a point on which most economists, politicians, and business leaders around the world agree. Trust is the invisible oxygen that sustains the marketplace ecosystems that power the economy and expand the middle class.

**Trust, Investment and Prosperity**
Countries with high-trust cultures – those where regulations and laws are fair and enforced, with secure and stable business environments, and with trustworthy leaders – attract capital and investment, which drive economic growth and employment.
Governance systems that are built on transparency and accountability not only set a standard for the management of societal resources, they establish a standard for marketplace and social behavior. Every country that has a government with a high integrity score also has high GDP, access to low-cost capital, and a highly capitalized stock market – which is a barometer of national wealth. E-government is an effective way to harness technology for the purpose of creating greater efficiency, transparency, and accountability – especially in areas such as taxation, budgeting, spending, and public service delivery. Responsible and professional governance is not just about providing the Level 3 foundations for healthy communities, but also the Level 2 environments for businesses to grow and thrive.

**Justice Through the Rule of Law**

A country’s rule of law plays a critical role in fostering a healthy business environment, enhancing economic growth, curbing corruption, restraining the abuse of power, and improving access to public services (particularly for the poor). It is rule of law that ensures contracts are enforced, property rights protected, fair competition promoted, and public servants held accountable. In other words, rule of law impacts every citizen.

So, it should concern us greatly that an estimated 1.5 billion people – 1 in 5 – cannot access justice. They may have a dispute over land with a neighbor, a conflict over family inheritance, or be the victim of a crime. They may not be able to access justice because of geography. Perhaps the nearest court or police officer is hours away.
In other cases, the nearest court or police officer may refuse to take the case or take the case and not handle it fairly. This is particularly challenging for women, who in some countries cannot testify in court or represent themselves to authorities. Such challenges to accessing justice undermine confidence in the system, erode societal trust, and increase a feeling of insecurity, thereby curbing investments and innovation. The Rule of Law Index by the World Justice Project reveals a clear link between the quantity of a country’s prosperity measured by GDP and its rule of law (see below).

**Unleashing the Governance Waterfall through Top-Down Initiatives**

The Governance Waterfall reflects that a government’s decisions, capacity, and effectiveness affect those at all levels of society. Where there is ethical, competent leadership and institutions, countries provide the conditions in which citizens can flourish and prosperity can grow. The path to broad-based prosperity cannot bypass governance and leadership. Well-designed governance structures and systems help ensure that basic human needs are met and provide continuity and predictability, which in turn foster trust and attract investment.

**Prosperity and the Rule of Law**

*Country GDP Per Capita vs. Rule of Law Index*

(![](image.png))

(-2.5 = Weak Rule of Law; 2.5 = Strong Rule of Law)

*Source: World Justice Project Rule of Law Index (2010)*
Helping Individuals Climb the Social Mobility Ladder through Bottom-Up Programs
While the Governance Waterfall plays a critical role in establishing the systems and structures that maintain security and expand opportunity, no government intervention by itself builds the thriving communities that form the foundation of any nation. Government interventions alone cannot instill the desire and drive to create the community institutions, businesses and innovations that push society forward. Thriving communities are also built on the beliefs and dreams of women, men, and children. And they are built with the hard work, dedication, and bottom-up efforts of individuals provided with the equal opportunities that governments should aspire to create.

Implications for Philanthropy – Putting the Pieces Together
In navigating the poverty-prosperity landscape, philanthropists and foundations face a complex and confusing set of theories and choices. There are few maps and many models and ideologies. Success stories that are scalable and sustainable are rare and even more rarely understood. In the relative absence of proven models, philanthropists and foundations often end up doing what is safe and conventional such as funding direct-service delivery efforts to alleviate human suffering or giving to elite universities and hospitals.

Going Beyond “Service Delivery” at Level 3
Philanthropy has frequently focused on direct-service delivery efforts at Level 3 that address basic human needs and produce change that is tangible – if not always long-lasting. Too often those Level 3 initiatives limit their scale and potential by not engaging with governments. Efforts to identify and address causes, to improve broader enabling conditions, and to change governance or market systems and structures – at Levels 1 and 2 of the Chandler Prosperity Model – are much less common. As a result, many initiatives are designed and implemented to address the symptoms of a problem, rather than its causes.

Both Top-Down and Bottom-Up Initiatives Have Roles to Play
The Chandler Prosperity Model provides a framework that bridges philanthropy, civil society, business, and government to achieve a more holistic understanding of building and broadening prosperity. It calls for considering all the different “pieces” of the prosperity puzzle and then making social investments with an understanding of their interconnected nature. The model helps us recognize that solutions must be both top-down (unleashing the Governance Waterfall) and bottom-up (helping individuals climb the Social Mobility Ladder).

The Chandler Foundation Story
The Chandler Foundation Story
People everywhere, but particularly Americans, love a good rags-to-riches story. Take Oprah Winfrey, who rose from a poor childhood to become a multibillionaire media powerhouse. Or Howard Schultz, the son of a blue-collar worker in a public housing project, who catapulted to success as the CEO of Starbucks.

People frequently cite cases like these to argue that, with hard work, anyone can become prosperous in the United States, no matter how poor they start out. But despite the common “American Dream” narrative, people in the United States are less likely to rise from the bottom to the top of the economic hierarchy than in many other countries. And social mobility has been declining. The chance that children in the United States will go on to earn more than their parents has dropped from 90%, a near certainty, to 50%, a coin-toss.

The decline of social mobility in the United States has corresponded with an increase in inequality. And this close relationship between lack of social mobility and inequality holds across scores of countries.

The World Economic Forum’s 2020 Social Mobility Index explored social mobility and inequality in 82 countries and found a direct relationship between a country’s social mobility and its income inequality (see chart on page 31). Economies with greater social mobility provide more equally shared opportunities – an equal and meritocratic footing irrespective of socio-economic background, geographic location, gender or origin.

Denmark holds the title for the most socially mobile country in the world. If a person is born into a low-income family in Denmark, the WEF estimates it would take two generations to reach a median income. In contrast, someone in Brazil or South Africa would take nine generations at the current pace of growth.

Most countries are far from providing equal opportunity to all their citizens. An individual’s chances in life too often remain disproportionately influenced by their starting point – their socio-economic status at birth – resulting in societies that too often reproduce or exacerbate historic inequalities. Low social mobility not only affects families and communities, but also reduces national wealth and productivity.

The 2020 Social Mobility Index Report concludes that countries could achieve an additional GDP growth of 4.4% by 2030 by increasing their social mobility index score by 10 points (the scores range from Denmark’s 85.2 to Côte d’Ivoire’s 34.5).
Although winning or losing the “birth lottery” will continue to shape the lives of generations to come, climbing the socioeconomic ladder is possible. The prospects for climbing depend on effort – but also on the opportunities people are afforded by the policies, systems and structures of the country in which they live. People do not expect equal outcomes, but they desire and deserve equal opportunity. Social mobility is a barometer of social justice. Governance is key to creating new social mobility pathways towards a growing and shared prosperity. Enhancing social mobility can convert a vicious cycle of stagnant incomes into a virtuous one. The benefits for social cohesion and stability would also likely be significant.

Social Mobility and Shared Prosperity
Social Mobility by Country vs. Income Inequality

* Refers to the movement in personal circumstances in relation to those of their parents, measured by five determinants – health, education, technology access, work opportunities, working conditions and fair wages, and finally, social protection and inclusive institutions. Source: World Economic Forum, The Social Mobility Report (2020).

Income inequality is associated with several undesirable outcomes, including higher levels of violence, slower growth, and lower levels of health, happiness and life satisfaction. Why then has inequality been rising in past decades – including in many democracies? If most people would benefit from enhancing social mobility, why have not governments delivered? Commentators have provided a variety of possible answers from limited knowledge and rationality of voters to increased money in politics to weakened trade unions.

Social Trust and Institutional Trust are Both Key
Bo Rothstein, a distinguished Swedish political scientist, convincingly points to another factor – trust, and in two distinct forms. One is social trust, the extent to which people trust most others in their society. Social trust is an important asset for any community, influencing how likely individuals are to participate in politics or civic organizations, how tolerant they are of minorities, and how optimistic they are about their life chances. The other kind is institutional trust – the extent to which people believe their public institutions can be trusted.

Venezuela, home to the world’s largest known oil reserves, is plagued by inequality, corruption, and low institutional trust.
Surveys conducted since the 1960s indicate considerable variation in both types of trust among countries. What has remained remarkably consistent is that both kinds of trust are highly correlated to inequality – both across countries and across time spans. For example, a recent World Values Survey shows that in highly equal Sweden and the Netherlands, more than 60 percent – and in Norway, more than 70 percent – believe “most people can be trusted.” In highly unequal countries such as Brazil, Colombia, Ghana, Romania and Tanzania, fewer than 10 percent trust others.

The change in trust levels over time is also noteworthy. In Nordic countries, social trust has increased slightly since the 1980s. But in the United States, it has steadily declined – from 46 percent of Americans being “trusters” in 1972 to 31 percent in 2018. This occurred during a period of rising income inequality in the US (see chart on page 34). Similarly, public institutional trust has risen sharply in

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**The Trust Factor**

Social Trust by Country vs. Income Inequality

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*Sources: World Values Survey (2014); World Bank.*
The context of laws, regulations, and practices set and modeled by government leaders.

**The Corruption Factor**

What explains the connection between inequality and trust across countries? Rothstein convincingly points to corruption as the fountainhead, with cascading effects on institutional trust, social trust, and inequality. Corruption undermines not only trust in public institutions, but also social trust. If Denmark and dropped just as steeply in the United States. In the early 1960s more than 70 percent of Americans believed they could trust the national government “always” or “most of the time.” By 2019, this declined to less than 20 percent. Such rapid change indicates that neither type of trust is a static social asset in the inherited culture of a society. Rather, it is a variable being shaped by changing conditions and behaviors in society, operating within the

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**United States: Declining Trust & Increasing Inequality**

1968 to 2018

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**Sources:**

people perceive that public servants are generally dishonest, incompetent or discriminatory, they are likely to make important inferences.

If they cannot trust the judges, police officers or tax collectors who are supposed to act in the public interest, why should they trust anyone else? If most people have to pay bribes or use personal contacts to get what they need from the public sector, how can they be trusted? If powerful, moneyed lobbies are observed to extract undue favors from the government, that too undermines institutional trust. Worse yet, if government systems are captured by oligarchs who use the government to enrich themselves, the entire social contract between people and their governments is broken.

Corruption in the public sphere increases inequality by transferring resources from the public to the elites and, more generally, from the poor to the rich. Studies in Africa and elsewhere show the poor have to pay more in bribes as a fraction of their income than both the rich and middle classes, who have ways to circumvent corruption or to take advantage of it.

Corrupt countries have much less social mobility because the rich use their connections and their money to get their untalented or unambitious offspring into good schools and good jobs. In a corrupt system, poor people have neither the contacts nor the money to help their children climb up. In unequal societies these interlinked factors feed on one another in destructive ways.

The desire to live in a more equitable society is not enough; people must also trust that the nation’s institutions can deliver. If they do not have that trust – which is more likely if they live in a highly unequal society in the first place – they will not support policies that increase equality.

The problem is that once trust is lost, it is difficult to get it back. Societies can get trapped in a feedback loop of corruption, distrust and inequality. Corruption drives inequality and distrust, and distrust can drive even deeper inequality. Voters may realize they would benefit from policies that reduce inequality, but their distrust of one another and of their institutions prevents the political system from acting in the way they would prefer.

These linkages indicate that fixing corruption in the public sphere could be key to escaping the trust trap. Nordic states, for example, were highly unequal two centuries ago but were able to effectively address the problem of systemic corruption in the mid-19th century. As a consequence, their citizens became willing to support public policies and services that addressed inequality – and inequality dropped as a result. The opposite situation prevails today in much of Latin America, Africa, southern Europe, and the United States.

Combating inequality requires a combination of both increased public trust and policies which promote social mobility. These two levers of The Chandler Prosperity Model provide lift and momentum to create escape velocity out of ‘trust traps’, social disillusionment, and poverty.

“We must work together to ensure the equitable distribution of wealth, opportunity, and power in our society.”

NELSON MANDELA
Does Governance Trump Everything?

A Tale of Two Countries
Zambia and Singapore share similar histories as British colonies. Both, for example, gained independence at roughly the same time, inheriting low-skilled labor forces and small domestic markets. Half a century later, two drastically different stories have unfolded. Despite an abundance of natural resources, Zambia today has some of the worst poverty in Africa. Almost 60% of its population lives on less than US$ 2 a day and the average life expectancy is 61 years. Even with a thriving copper mining industry at independence, Zambia has become ensnared in a poverty trap. Singapore, on the other hand, has become one of the world’s most prosperous countries.

What, then, is the reason for such a contrast in the trajectory of two countries whose beginnings were so similar? A Hebrew proverb provides a potential answer: “In the fallow ground of the poor there is abundance of food, but injustice sweeps it away.”

The Corruption Perceptions Index ranked Zambia 105th out of 180 countries in 2018. Singapore, on the other hand, is perceived as one of the least corrupt countries in the world, ranking third in the same index.

The Cost of Corruption
The World Bank estimates that businesses and individuals pay US$ 1.5 trillion in bribes each year, about ten times the value of development assistance. The costs of unaccountable and corrupt governance extend beyond financial costs to human costs. A study on Poverty Reduction and Good Governance by the Islamic Development Bank found that unaccountable and corrupt countries see their infant mortality rise, income poverty increase, number of slum dwellers multiply; and water, electricity, and education become reserved for the lucky few. The study concludes that the attainment of good governance in terms of accountability and transparency is necessary to build and broaden prosperity.

Given the scope of the problem, it is no wonder that many today are using their voices to highlight the scourge of corruption and poor governance. Africa’s wealthiest person, Aliko Dangote, observes: “The war on corruption would ensure more effective service delivery in schools and hospitals. This should enable government to achieve better outcomes for any dollar spent.”

The late Kofi Annan, former Secretary-General of the United Nations, stated “good governance
is perhaps the single most important factor in eradicating poverty and promoting development.”

Perhaps the most famous advocate of good governance is Mo Ibrahim, the Sudanese businessman who started a foundation with a singular focus on leadership and governance in Africa. Mo Ibrahim stated: “I came to the conclusion that unless you are ruled properly, you cannot move forward. Everything else is second. Everything.”

**Prosperity and Corruption**

Country GDP Per Capita vs. Corruption

Good Governance Requires More than Absence of Corruption

Corruption diverts resources from the poor to those in power, leads to a culture of bribes, distorts public expenditures, deters investment, and hampers growth. It is a major and multifaceted problem. But, corruption can also be viewed as a symptom of the broader issue of poor governance. Anti-corruption must be paired with efforts to enable governments to govern openly and fairly,
to provide services and security to their citizens, and to create an environment that fosters economic opportunity, jobs, and private sector development.

Going Beyond Prosperity, Building Great Nations
The absence of corruption is a worthy goal for a nation building a prosperous, thriving society – but it is not sufficient on its own for establishing good governance.

Good governance is a broader concept, which determines whether a nation is “great,” not just wealthy. Great nations may not have the highest GDPs per capita – or the least poverty. They have a balanced scorecard of tangible and intangible factors that include heritage, culture, traditions, values, public infrastructure and services, education and religious institutions, and community spirit. It requires a strong rule of law, smart policies and regulations, and competent, well-run institutions and civil service. Leadership quality, unity, and cultural harmony are also common in strong nations. These elements inevitably touch upon every aspect of society, but they are all part of an ecosystem with national governance at its centre.

Defining and Measuring Good Governance
Efforts to improve governance are best based on a holistic definition of governance and methods for measuring its efficacy. As management thinker Peter Drucker stated, “you cannot manage what you cannot measure.” Progress has been made on this front in recent years, yet more is needed.

The Mo Ibrahim Foundation defines governance as the provision of the political, social, and economic public goods and services that a government has the responsibility to deliver to its citizens. Since 2007, they have issued an annual Africa Governance Index that measures governance performance outcomes for African countries across four components: safety and rule of law, participation and human rights, economic opportunity, and human development. The Ibrahim Africa Governance Index usefully highlights for Africa the links between governance and prosperity, as well as specific governance challenges and successes.

Despite the acknowledged importance of governance in broader social and economic outcomes, efforts to measure the strength of governance across the world’s regions and countries, and to track it over time, are still in their infancy. Our sister organization, the Chandler Institute for Governance, is designing a Governance Index to measure the quality and effectiveness of public governance in various countries across the world. It is expected to launch in late 2020. Such initiatives, as well as greater focus from social investors on improving governance, can help track and incentivize progress in countries around the world.

“He who exercises government by means of his virtue may be compared to the north pole star, which keeps its place and all the stars turn towards it.”

CONFUCIUS
Mo Ibrahim
The African Billionaire and the Prize He Can’t Consistently Give Away

Highlighting Corruption – The Elephant in Africa

Mohammed “Mo” Ibrahim founded one of the first mobile phone companies serving Africa and the Middle East, Celtel International. He flew frequently across the African continent and would wonder: “If you fly over Africa, you see this huge expanse of fertile land and waterfalls. It’s a very rich continent... Then you ask: why are we poor?” After many dealings with African governments and businesses, Ibrahim found his answer: bad governance. “It is the head of the fish that goes rotten first,” he explained in a 2017 interview with the Financial Times.

After selling his business in 2004, Ibrahim turned his attention to fighting corruption and promoting good governance across the African continent. His foundation gives an annual US$ 5 million prize to heads of state who are elected into office democratically, demonstrate exceptional leadership in promoting prosperity and human rights, and who voluntarily step down from power after their term. Given such broad criteria and the 54 countries from which it chooses, it is telling that more than a decade after it began, the Ibrahim prize has only been awarded to six leaders – many years the prize goes unawarded.

The challenge has not deterred Ibrahim from fighting one of the most critical challenges he sees for his continent. He remains optimistic. As he told the Financial Times: “Unless we change the way we run our countries, govern our people, allocate resources, and create a fairer system that is more transparent, we really cannot move forward... It’s unacceptable to turn your back and say you don’t care.”
A World-Class Nation-Building Institution
Based in Singapore
In 2019, the Chandler Institute of Governance was launched. The Chandler Institute is founded on the belief that national prosperity is deeply rooted in good governance, sound policies and a world-class civil service. It is committed to strengthening state institutions and public leadership at the national and local levels, through enhancing capabilities, empowering leaders, and enabling governments.

Operating at the Pinnacle of the Chandler Prosperity Model
We understand that no single initiative or sector will create a strong nation on its own. A holistic approach is required. Trillions of dollars of aid and charity have gone to building stronger community foundations at the third level of the Chandler Prosperity Model. In contrast, very little has been invested in helping governments build stronger nations at the pinnacle of the model.

Closing State Capacity Gaps in Developing Countries
The Chandler Institute focuses on building government capacity at the top level of the Prosperity Model. While many leaders have good intentions, there are tremendous gaps in state capabilities in many lower- to middle-income developing countries around the world. Government ministries and public institutions often lack trained managers to effectively design, implement, and monitor policies and programs. Our programs draw on the experiences of other countries, and especially the journey of Singapore.
Institute programs include:

- Architecture of government
- Governance principles and practices
- Policy design and implementation

**Today’s Reality Need Not Be Tomorrow’s Destiny**

Despite the scale of the challenge, significant progress is possible. History has shown that with political will, good training, and systemic reforms, a country’s governance and public services can improve significantly over time. For instance, Japan, Hong Kong, and Singapore overcame the challenge of pervasive corruption over the course of the 20th century. Vietnam, Indonesia, and India are modernizing their economies and have made impressive advances in the ease of doing business. Public safety and state transparency have improved vastly in Chile and Colombia since the 1990s. With sustained progress, a virtuous cycle is formed and new efforts reinforce earlier reforms.

Working closely with governments, the Chandler Institute provides rigorous capability building support, practical and relevant knowledge, counsel, and networks. It does so to sustain strong public institutions, effective public policies, and empowered public leaders.
**Our Investments:**
**FROM STRATEGY TO EXECUTION**

The purpose, perspective, and points of reference that guide our investments.

Focused on Our Purpose:
**Building and Broadening Prosperity**
The Chandler Foundation invests in champion organizations that are helping to build the enabling conditions for sustainable and shared prosperity in Asia, Africa, and Latin America. We envision a world where everyone has the opportunity to flourish and we invest in organizations helping to change systems and structures to make this possible.

Holistic Investment Across the Chandler Prosperity Model
We invest holistically across the three levels of the Chandler Prosperity Model. The challenges facing the world today are complicated and interconnected. The Chandler Prosperity Model provides a framework for building and broadening prosperity that is multidimensional and requires both top-down and bottom-up solutions.

Our investment strategy and scorecard (on page 43) recognize that governments, marketplaces, and communities all play a role in creating the conditions where every person can flourish. Because philanthropy is predominantly invested in community-level sectors such as health, education, and livelihoods, we currently prioritize investments in the less-crowded areas of improving governance and enhancing the conditions for private-sector development. In instances when we support champion organizations working on health, education, or livelihoods, we favor organizations that actively engage with government or the private sector and include a focus on creating systemic change. We also look for organizations that address causes, not symptoms, and that seek to catalytically improve government capacity or policies.

Key Social Investment Sectors
Guided by the Chandler Prosperity Model, we focus on specific sectors where we believe we can have the greatest impact. We believe that government and the marketplace play the largest roles in catalyzing prosperity, so we currently prioritize investments in solutions that aim to engage and improve these systems. Our priority sectors for grant-making within the broader topics of good governance and marketplace development include:

*Transparency, Accountability & Anti-Corruption*
Transparency and accountability, key drivers for anti-corruption, address one of our key beliefs – that the lack of corruption is an essential building block for prosperous nations. We invest in a variety of approaches to tackling corruption and prioritize those that partner with reform-minded governments to implement tangible
change. These initiatives help build trust among governments, citizens, and the business community so that all stakeholders can build a thriving society together.

**Evidence Informed Policy-Making**

Government integrity must be coupled with government capacity and competence in order to improve performance that leads to people-level impact. Governments are increasingly looking to better inform policy making and implementation through evidence, and we support organizations that directly engage with governments to fill that need. This complements the work of our sister institution, the Chandler Institute of Governance, which builds government capacity through training.

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**Our 4-Part Investment Scorecard**

- **GOVERNANCE**
  - Independent Board
  - Governance Charter & Core Ideology
  - Accountability & Transparency
  - Governance Structure & Systems
- **PROGRAM**
  - Financial Model
  - System-Changing
  - Market-Friendly
  - Theory of Change
- **MANAGEMENT**
  - Leadership
  - Experience
  - Results Focused
  - Humility
  - Character
- **EXECUTION**
  - Track Record of Success
  - KPIs & Dashboards
  - Reporting Quality
  - Cost Management
  - Execution Tracking
  - locally Grounded
  - Results Focused
  - Humility
  - Character
- **IMPACT**
  - Reporting Quality
  - KPIs & Dashboards
  - Culture of Accountability
  - Internal Controls
  - Policies & Processes
  - Culture of Performance
  - Team Capabilities
  - Relational Network
  - Local Knowledge
  - Organization Culture

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*The Chandler Foundation Story* 43
**Business Climate**

Economic growth is not possible without a thriving business sector, which is why we invest in organizations improving the enabling environments that promote a vibrant, inclusive, and purposeful marketplace. We seek to work with organizations that partner with governments and/or the business community to create a more hospitable environment for healthy private sector development.

**Property Rights**

As it is within the realm of the state to provide secure property rights, this sector inevitably relies upon good governance and smart policies. Secure property rights are essential for economic opportunity, the ability to do business, to access credit, and for housing. We invest in organizations that engage with governments to strengthen and broaden access to property rights.

**Digital Identity**

Digital identity systems can lead to tangible benefits across a range of areas including financial inclusion, governance, health services, social protection for vulnerable groups, and empowerment of women and girls. A reliable identification system can help governments improve service delivery to citizens and is a building block for improving the business environment. All of this must be balanced with concerns over privacy and misuse of data. We are actively exploring this sector and are open to possible investment opportunities.

**We Support Trusted Local Organizations with Proven Track Records**

Our results depend on finding organizations with effective programs led by people who are proximate to the problem, familiar with the context, and working with a variety of stakeholders. We search for organizations that have a track record of impact, rather than plan and design specific programs ourselves. We expect our program partners will be greater experts than us in their program speciality. We do not typically provide start-up or early-stage support.

**Seizing Kairos Moments**

Kairos is an Ancient Greek word meaning the right, critical, or opportune moment. Kairos moments are opportunities ripe for systemic and transformational change, such as a window of opportunity when a government is more likely to enact a major policy shift, a society prepared to rethink longstanding norms, or when a market may be on the verge of a structural shift. We prefer organizations that have a proven track record of recognizing and acting upon Kairos moments, and we prefer to support them to take advantage of new Kairos moments.
The Ground Game

Chandler Foundation staff have substantial experience living and working in low- and middle-income countries, and in co-founding, leading, and working for global social change organizations. This ground game experience informs our approach.

We believe that effective philanthropy requires a familiarity with the challenges we are trying to address, the people we are aiming to serve, and the champion organizations with whom we partner. Developing that familiarity is a never-ending journey and requires humility, a beginner’s mind, and frequent visits to the field.

We hold our program partners to a similar standard. We look to invest in organizations that commit to understanding the needs of those whom they serve and the institutions with which they need to partner or change to accomplish their goals. Our program partners try to ensure that those most engaged in and affected by their societies’ challenges both inform and participate in the partnerships needed to achieve lasting and systemic change.

Melanie Hui, former Vice-President, makes friends with local children while on a site visit in Nairobi, Kenya. November 2013.

Leslie Tsai (second from right), Director of Social Impact, visits rural Paraguay with Co-Impact program partner Fundación Capital in July 2019.

Tim Hanstad (far right), CEO, in Myanmar with Jim Taylor and Debbie Aung Din, Founders of Proximity Designs. October 2018.
Our Investment Map:
A GLOBAL APPROACH

Sub-Saharan Africa

- Aga Khan Foundation
- CAP YEI
- Cities Rise
- DG Murray Trust
- Global Fund
- Harambee
- Ilifa Labantwana
- Last Mile Health
- Living Goods
- One Acre Fund
- TaRL

Latin America

- Fundación Capital
- Transformación Paraguay

Chandler Foundation Program Partners
Co-Impact Program Partners
Partnersing with Government: LANDESA

Level 1

Landesa works with governments on property rights reforms that expand opportunity and prosperity. The organization acts as an advisor to key government agencies to strengthen land property rights through law and policy reform. Such reforms result in property rights that are not only stronger, but more valuable and broadly available, including for women. Landesa promotes greater transferability of land property rights to facilitate smooth and efficient mobility into and out of agriculture to maximize earning potential.

Landesa is actively engaged with governments to support land property rights reforms in China, Myanmar, India, Tanzania, Liberia, and Zimbabwe. In these countries, Landesa is using research, advocacy, and policy support to help build land systems that offer secure rights for all.
Since its founding, Landesa has partnered with governments and local civil society groups in more than 50 countries to advance land property rights reforms using law and policy tools. These reforms have helped expand opportunity, broaden prosperity, and reduce conflict over land for more than 180 million women and men. This transformation – from insecure to secure land property rights – has boosted economic productivity in the developing world by billions of dollars per year. One of Landesa’s longest-running programs is in China, where it has been working with China’s Central Government for over 30 years to inform legislation aimed at building an efficient and equitable land rights system and expanding economic opportunity for China’s rural poor.

Long-term individual tenure rights for Chinese farmers, begun in the 1980s, boosted agricultural productivity, improved livelihoods, and kickstarted the economy, helping lift more than 500 million rural people out of poverty.

Securing Futures

Landesa founder Roy Prosterman discusses rural land reform with Chinese deputy minister of agriculture.
Proximity Designs is known for providing farmers in Myanmar with products and services to enhance productivity, but it also works across the continuum of the market to achieve results. Leveraging its social enterprise activities in rural villages, Proximity worked with the Ministry of Agriculture to conduct in-depth economic research on the broader agricultural economy. Its deep knowledge of farm households and conditions allows it to “ground truth” macroeconomic data and provide independent analysis and insights to decision-makers. Beyond topics such as farm credit, Proximity has contributed to analysis on topics such as federalism, resource sharing, the exchange rate, energy, and telecommunications.
Proximity is helping to build Myanmar’s market infrastructure. It has led the way as a “market maker” of financial services for farmers by proving to the market that farm finance is commercially viable. It played a similar role in developing the small-scale irrigation market.

Combining deep systemic work at the market level, with micro-level household impact, and macro-level policy means more sustainable changes for farmers’ lives. In a country where 70% of the population earns their living from farming, smallholder farmers are the biggest underserved market. Proximity not only targets this market to promote its goods and services, but it also opens up markets for farmers as they increase productivity and entrepreneurial growth.
Living Goods supports networks of “tech-enabled” community health workers who go door to door to provide healthcare and sell life-changing products and medicines to treat malaria, pneumonia, and diarrhea.

By combining best practices from business and public health, Living Goods is reducing child mortality by more than 25% at a yearly net cost of less than US$ 2 per person reached. These successes are largely due to Living Goods’ technology-forward approach. By equipping community health workers with smartphones that register, track, and diagnose community members, Living Goods is not only delivering more health services at scale, but also improving transparency and health worker performance by tracking progress digitally.
Living Goods’ approach is spreading to its government partners. In 2018, Living Goods built customized performance dashboards for district governments in Uganda to help them monitor and visualize the performance of Living Goods-supported government community health workers. Evidence and learnings based on Living Goods’ operations in 20 districts in Uganda over the past ten years have led the Ministry of Health to invite Living Goods to be a leading partner for integrating community-level health data into national health systems. In 2019, data collected by community health workers from Living Goods smartphones will automatically push into national government databases, helping reduce manual processes while also ensuring the integrity of data. With Uganda’s current community-level reporting at only 31% nationally, this will drastically increase the Ministry of Health’s understanding of community health. The implications of this national integration will not only allow the Ugandan government to create smarter health policies based on more robust health data, but also promote a culture of transparency and accountability.
Harnessing the Power of Partnership
A soloist can play many beautiful scores of music, but even the most gifted musician cannot play a symphony. A philanthropist faces similar limitations – no matter how innovative or insightful, he or she cannot produce outcomes on the same scale as those created by organizations working together. The practical advantages of philanthropic partnerships abound. They bring more resources and ideas to bear on issues that resist simple solutions, they pool experience and expertise, and they expand relational networks and share lessons. These are all advantages that help create lasting, meaningful change in ways not available to foundations that work on their own.

The Cornerstone of Partnership: Shared Values
There is no shortage of thoughtful, committed, and well-resourced organizations striving to help those in need. However, a successful collaboration requires more than shared aspirations. The linchpin of any partnership is a common set of values – collective journeys guided by the same North Star. Shared beliefs and values, not just shared dreams or goals, create alignment around priorities and execution.

Influencing the Culture of the Industry
The Chandler Foundation participates in partnerships not only for the on-the-ground impact they generate, but also because of their potential to influence the culture and practices of the philanthropic industry. Partnerships have the potential to produce outsized returns because of their ability to pool resources, ideas, and relational networks. Sustained over time, these results create both greater impact and a model for others to follow.

Co-Impact
Informed by these beliefs, in 2017 the Chandler Foundation became a founding donor of Co-Impact, a global philanthropic collaborative focused on addressing broken systems and solving social challenges at scale. Partnering with Bill and Melinda Gates, Jeff Skoll, Rohini and Nandan Nilekani, Rockefeller Foundation, ELMA Philanthropies, and MacKenzie Bezos, as well as numerous co-investors and community members, Co-Impact focuses on the structural causes of poverty. Co-Impact was founded upon a belief in the power of collaboration. Whether in community development, marketplace infrastructure, or governance, Co-Impact looks to bring together philanthropists, social change leaders, governments, non-profits, and the business sector to collectively create structural solutions to social challenges.

Co-Impact hopes its example will encourage others to embrace a partnership approach. As Olivia Leland,
the founder of Co-Impact, has expressed: “In the next decade, I hope that it will be much more common for funders to collaborate in supporting opportunities to drive lasting impact at scale.”

Beyond the power of collaborative investment, Co-Impact’s unique approach to philanthropy and the large-scale outcomes it seeks to achieve will have a lasting impact on the best practices in the industry. We chose to invest in Co-Impact because we believe it has the opportunity to influence the culture of philanthropy for the next generation of philanthropists. Much of philanthropy today is focused on symptoms rather than root causes. By becoming a center of excellence and innovation, Co-Impact can be a networking platform or clearing house between philanthropic capital and high-impact, high-potential ideas for improving the lives of millions of people around the world.

Collaboration and Taking “Big Bets”

At their best, philanthropic partnerships combine the experience, relational networks, and resources of like-minded donors. Though they take work to maintain and can produce their own set of hurdles, partnerships have the power to address challenges in a way that few tools in the philanthropic toolbox are able to.

For this reason, the Chandler Foundation has also joined forces with other foundations including the Bill & Melinda Gates Foundation, Hewlett Foundation, and Rockefeller Foundation to identify opportunities for philanthropic collaboration, and increase the effectiveness of and demand for such collaborations. At a time when the challenges of wise giving have never seemed more complex, a simple and timeless truth remains clear: when tackling the great societal problems of our world today, we can achieve far more working together than in isolation.
Investing for Impact:
WISDOM AND TRADECRAFT FROM THE JOURNEY OF A SOCIAL INVESTOR

Richard Chandler reflects upon his philanthropic journey and shares the practices and principles he acquired along the way.
The Bull Market in Doing Good

Each year we celebrate record inflows of capital into philanthropy and impact investing. This influx of capital brings with it tremendous excitement and expectation. However, I believe this flood of capital has also reinforced a false paradigm, one which follows a problematic line of thinking: the world has many problems; money can solve problems; therefore, more money will equate to fewer problems. Money certainly has a role to play, but we’ve seen firsthand that dollars alone don’t buy prosperity.

Since World War 2, trillions of dollars of aid have gone toward developing countries, a great deal of which has been ineffective, wasted, stolen, or written off. Large transfers of money to badly managed countries have resourced and legitimized ineffective governance, disrupted local marketplaces, and in some instances even created backwards incentives for those working on the ground. We’ve seen similar ineffectiveness in developed economies. Between 1976 and 2016, charitable giving in the United States exceeded US$ 10 trillion—an amount that does not include government-sponsored welfare programs or corporate giving—and yet the US poverty rate in 2016 was almost identical to what it was 40 years earlier.

Finding One’s Lane Strengthens One’s Focus

More important than the amount of capital is the wisdom with which it is used. Just as each investor has their own style, their own gifts and skills, so certain philanthropists are better suited to tackle certain areas. A unifying vision and clearly articulated purpose creates the framework to set specific goals, establish a roadmap, and identify milestones. This is key to accomplishing tangible results in an industry with a history of fuzzy intentions and weak outcomes.

A Journey of Learning

Philanthropy is the greatest challenge I have ever undertaken. It is multidimensional and extraordinarily complex. Over the years, results are difficult to evaluate objectively, and good intentions can camouflage or excuse opaque outcomes. In the search to use capital to help those in need, we’ve built social enterprises and advisory businesses from the ground up, and in other seasons we’ve empowered leaders and organizations with grants of varying size. We’ve worked in both developed and developing countries. Our focus has spanned healthcare to education, national governance to water and sanitation.

Though our strategy and tactics have evolved over the years, we’ve always sought to challenge our assumptions and be guided by results, to reflect on our experiences honestly so that we might discard the husks of inefficiency and retain the kernels of truth, a few of which I hope to share.

A Time Absent of Role Models

My journey began in the 1990s, a time when there were few role models in philanthropy and even fewer capital allocation models. There was little information about what a donor could fund, let alone what was or wasn’t effective. Philanthropy was then largely driven by donors’ interests rather than on-the-ground needs, and all too often the goal of this giving was “palliative”—alleviating the symptoms of poverty rather than its causes.

If you widened the aperture and looked to the large, global multilateral institutions, you still struggled to find a paradigm of excellence. To give a sense of what I’m referring to, the World Bank’s Independent Evaluation Group studied the bank’s efforts in 25 poor countries over the mid-1990s to the early 2000s. The study found that, after years of projects and billions of dollars in cumulative aid, more than half of the poor countries had the same or worsening rates of poverty.
1. Investment thinking
We need to be more businesslike in our approach to doing good, bringing head and heart together. Why be satisfied with less return for what you give to a charity than you would with giving the same amount to a broker?

2. Methodical measuring
If you don’t count and evaluate what you are doing, you can never know how effective you are or how much more you could achieve. You need to ask hard questions of the people who want to use your money.

3. Successful failing
The world is getting more complex, and we can’t solve today’s problems with yesterday’s answers. That requires innovation and creativity, the willingness to try new things, and the ability to learn from mistakes and adapt.

4. Local implementing
With a few exceptions, most effective development work is done by organizations that are rooted and established in the communities they are serving – more so than by even the most willing outsiders.

5. Strategic planning
A lot of development work is based on “silo” thinking: looking at situations in single-issue terms. But so many issues are complex and interwoven, and need to be approached from multiple angles to achieve a real tipping point for positive change.

6. Deliberate multiplying
Help for today is vital, but what can be done to ensure the same problem doesn’t pop up again tomorrow or next door? We must look for ways to further leverage all that we are doing.

7. Forward looking
As much as we have developed some firm convictions about how to do good better, we recognize that it is important to remain open to change as cultural and technological shifts impact the world, its needs, and the possible solutions.

8. Active collaborating
The combined total can be greater than the sum of the individual parts. By bringing implementers and donors together in partnership ventures, it is possible to set and achieve bigger goals.

Doug Balfour is the author of “Doing Good Great: An Insider’s Guide to Getting the Most out of Your Philanthropic Journey” and Senior Advisor at Geneva Global. He has more than 30 years of experience in philanthropy, international development, leadership, and organizational development.
Geneva Global: Mapping Territory and Measuring Outcomes

I came to philanthropy with a background in analyzing markets and investment opportunities, and with experience in allocating capital and building businesses. My sense was that the approaches, skills, and questions that had worked in the capital marketplace might also have relevance for philanthropy. With my brother Christopher, I founded Geneva Global, an organization that looked to answer the question, “Where would a philanthropic dollar achieve the greatest impact?”

The first task was to gather information – to clarify where and what the needs were. We then looked for organizations fulfilling those needs efficiently, and created a process that evaluated individual grants and quantified their impact. In a sense, we sought to create a philanthropic investment bank, an organization to help build relationships and broaden the information upon which investments could be made, and create models that could help measure effectiveness afterwards.

The Challenge of Scale

By the early 2000s, Geneva Global employed 100 people and had a large global network. We made grants to dozens of countries each year. However, the size of an average grant was small – less than US$ 10,000. The most impactful organizations were often the grassroots organizations with relatively small financial needs. While this micro-granting produced the most effective return on each dollar of capital invested, it wasn’t scalable – or efficient. Hence our focus shifted from trying to figure out what the most effective philanthropy looked like, to instead figuring out how it could be scaled.

A Shift from Philanthropy to Social Enterprise

Conventional wisdom at that time was that poor societies resembled a pyramid; there were a few wealthy people at the top and a large swath of poor people trapped in the wide base at the bottom. The thinking was that if you could build businesses that served the “bottom of the pyramid,” you would achieve two important outcomes. One, you would put a huge dent in the problem of extreme poverty by focusing on the area of greatest need. And two, you’d break the cycle of poverty because you’d be giving people a hand-up rather than a hand-out.

The Link Between Creativity and Prosperity

Another guiding insight of ours at the time emerged from studying the rise and fall of history’s great civilizations, and we saw that civilizations that flourished creatively also prospered materially. This link between creativity and prosperity directed our focus: creativity unleashed prosperity, and healthcare and education were the foundations that enabled creativity.

Exploring Market-Based Models

As a result, we turned our attention to building for-profit social enterprises in healthcare and education in seven large developing countries. These markets were significant in need and scale. If successful, these businesses could be scaled to deliver powerful, lasting outcomes to those at the bottom of the pyramid.
A New Understanding: From a Pyramid to a Diamond

Between 1990 and 2015, an average of 45 million people climbed out of extreme poverty each year. While the extreme poor have been decreasing at the fastest rate in human history (although with still more progress needed), the world’s middle class has been expanding at an even faster pace. The rapid economic growth across the developing world saw the numbers of those “poised for the middle class” (income of US$ 1.90–11 per day) together with those in the middle class (income of US$ 11–110 per day) swell to 6.75 billion people – a demographic shift that effectively transformed the shape of global income distribution from a pyramid into a diamond shape.

We moved from trying to solve poverty at scale to instead find ways to build prosperity and help more people join the middle of this newly formed diamond. The engine room of this national prosperity was a vibrant middle class, as it armed people with the opportunities and prosperity to invest in their own well-being. And, as more people were able to invest in that well-being, more jobs and opportunities were created. This in turn allowed more people to join the ranks of the middle class and foster even greater social mobility. Our focus remained healthcare and education – but we targeted a new market opportunity: building scalable, sustainable businesses that served the mass market and the middle class.

Encountering Inhospitable Marketplaces

As we were building our healthcare and education businesses across Asia and Africa we ran into the reasons these economies were operating significantly below their potential. The list included excessive and confusing regulations, cultural and bureaucratic barriers to foreign investment, teacher unions that resisted change, the lack of an educated workforce, and pervasive corruption. The reason that businesses were small and inefficient lay in weak marketplace systems and poorly designed or enforced regulations.
We discovered that private-sector solutions could not compensate for broken or stifling public-sector structures, systems, and regulation. We also came to understand the harsh gulf between noble intentions and marketplace realities: if it was possible to build a low-income business, someone else probably would have done it. There wasn’t a sustainable business model that bridged affordability with service delivery, and there were top-down, structural reasons why healthcare and education remained areas of great, unmet need in these countries – impediments that no business model could “fix.”

Arriving at the Chandler Prosperity Model
To build prosperity, we first needed a “blueprint” of all the different components, how they fit together, and which pillars needed to be in place to sustain its growth. Government, business, civic institutions, and communities – all play an important role in building national prosperity.

The model that guides our social investing today is a culmination of two decades of lessons from the frontlines of development. It brings a top-down understanding of countries, of governance, of marketplace and community foundations, and of how they have the power to inspire or dishearten individuals trying to create a better life for themselves and their families.

The Chandler Prosperity Model endeavors to provide a “total game understanding” of the prosperity puzzle. It helps to explain why aid and charity have so often failed to ignite social mobility. And it helps explain why community development programs may not create durable results if they are in an ecosystem with poor governance or weak marketplace structures and systems.

Scaling Impact Through Partnerships
Recognizing the interconnected, complex nature of prosperity brought a dose of humility to our own efforts. We saw clearly the limits of charity – it could not on its own “solve” unjust governance any more than it could create a vibrant job market.

Through our first-hand experience and our study of the landscape, we’d seen time and time again that societal problems required holistic approaches that brought together governments, businesses, communities, and the non-profit sector. That was part of our inspiration in 2017 to join with partners such as Bill and Melinda Gates, Jeff Skoll, and the Rockefeller Foundation to launch Co-Impact, a global model for collaborative philanthropy and social change at scale.

Sustainability Requires Local Participation
Our decision to partner with others draws from the lessons of history and other successful philanthropists. Julius Rosenwald, a part owner of Sears, Roebuck and Company, devoted a great deal of his philanthropic capital and energy towards improving African-American education in the southern part of the United States during the early 1900s. Rosenwald was of the opinion that education efforts had to have both public and private backing in order to remain sustainable. He convinced the state and local governments to contribute toward the schools and required the local communities to raise funds as well. Studies have since shown that local families contributed slightly more to the schools than Rosenwald did. Andrew Carnegie did the same with public libraries – he required local participation and contributions.

Fulfilling Our Purpose
There is more for us to learn, lessons ahead that will help us grow sharper, and make us better donors and partners. Despite how much more sophisticated the sector is today than when I started, and how much our understanding and approaches have changed, I believe the essence of the Chandler Foundation’s work has always been, and still is today, quite simple: it’s about unleashing the creativity of individuals to build strong, prosperous, and healthy societies.
Applying Investment Principles to Philanthropy

Learning from Our Heritage in Investing
John D. Rockefeller once said, “Giving is investing.” At the Chandler Foundation, we have incorporated relevant principles and lessons from our founder’s experience in the financial markets into our approach to philanthropy and social investing. At the Chandler Foundation, we bring the rigor and professionalism from our investment business into our grant-making. We look for programs that deliver asymmetric or outsized social impact returns on capital. Where possible, we prefer models that are market-friendly, improve governance, and have a pathway to scalability and sustainability.

A Culture that Values Results
Like investment, the business of grant-making requires critical thinking, good judgment, and accountability for results. Responsible stewardship demands that we evaluate the outcomes of our grants dispassionately. If an organization is not delivering results, or we believe our funds could achieve greater impact elsewhere, we act accordingly. At the end of the day, doing philanthropy well is about smart investing. Results matter.

We are rigorous about metrics and results, but the social return on investment by which we measure success is also delivered through stories and testimonies of systems-level change. We expect our social investments to achieve large-scale impact by shifting systems and structures, not by increasing reach one person at a time.

The testimonies we seek may have different narratives, from sweeping government reforms to policy change to unleashing growth in marketplace sectors. They may include different protagonists, from government officials to entrepreneurs to social change leaders. What the testimonies have in common is that they disrupt the status quo, improve the enabling conditions to build and broaden prosperity, and create a legacy of enduring change for communities and nations.

Independent Thinking Often Leads to Uncommon Outcomes
We believe in the power of knowledge and partnerships but at the same time we are skeptical of conventional wisdom. Consensus-thinking is often wrong in the investment world. The greatest gains are sometimes made by avoiding the “crowded trades” of the herd. We value our ability to stand apart from the crowd, find revelation, take risks, and invest for exponential impact in the long term.
Growth Capital Accelerates Breakthrough

We love to find unique stories or special situations where an organization has progressed beyond start-up and is on the verge of a breakthrough in innovation or impact. We seek to infuse growth capital at inflection points that have the potential to create transformational change.

This is typically after an organization has developed a proven model and demonstrated at least some track record of success. We expect that the resources we provide will help take their interventions to a new opportunity or to the next level.

Relational Networks and the “Ground Game”

Expanding, deepening, and maintaining relational networks are crucial to success in both financial and social investing. These relational networks are a source of crucial information in identifying and understanding the challenges we choose to address, and in identifying and choosing funding partners and prospective champion organizations. We invest in relationship building and information exchange with other social investors and with social change leaders on the ground in order to have a holistic understanding of the challenges and opportunities in the field.

Desk research only goes so far – especially in social investing where quantitative metrics of success are more complex and elusive. Much of the work must be done in the field. We call this the “ground game.” We identify potential champions by building relational networks in the field. We then develop relationships with those whose leadership and impact aligns with our approach, criteria, and values.

Trust and Accountability

Building and maintaining trust with organizations we invest in is crucial. Robust due diligence and in-person interaction before the investment is a solid starting point. We look to ensure alignment of values and quality, and transparency of information. Trust must be earned through consistent actions – and be verified and confirmed through periodic on-site inspection. Consistent follow-up is an essential part of professional grant-making.

Clear metrics and milestones contribute to accountability. In the business world, the clear metric of financial profit makes accountability relatively easier than in the non-profit sector, where comparable metrics for success are more elusive. Working with our champion organizations, we agree on, and together monitor, metrics and milestones for measuring progress and ensuring accountability.

Our follow-up reviews progress on agreed metrics and milestones, assists partners to identify and address challenges, as well as see opportunities for scaling or collaborations with other donors or programs.

Investing Narrow and Deep

Just as many investors adopt a diversified portfolio approach to minimize risk, some philanthropists take on a version of this in their social investing – spreading out their donations among dozens of
causes and goals in the name of prudence and risk management. We call this “confetti philanthropy.”
In the financial investment industry, betting big with a more focused “narrow and deep” strategy allows an investor to better understand a particular sector and achieve more outsized returns. In our industry of social investing, a narrow and deep approach is particularly powerful in helping to create sustained, systemic solutions to the world’s biggest challenges.

**Big Bets Can Lead to Big Wins**
Investing narrow and deep 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. 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$ 100 million “big bet” toward medical research (equivalent to more than US$ 2.8 billion today) 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 placing seatbelts in cars worldwide; from eradicating polio to reducing tobacco usage.

**Finding One’s Anchor**
The social investors with both the resources and risk appetites to invest narrow and deep may find themselves overwhelmed with options; there are numerous causes within the philanthropic sector and countless non-profit organizations – more than 1.5 million NGOs in the United States alone. In this world of endless opportunities and causes, finding an “anchor” to underpin one’s giving can bring focus. No particular anchor is necessarily “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. These anchors tend to fall in one of four categories: sector, geography, issue, or ideology.

**Taking the Long-Term View**
Philanthropic ventures often fail to set clear goals or measure results. There is often more attention paid to the amount of money given than the outcomes achieved. Social investing shifts the mindset because it uses a different philosophy and language. The key words are impact, goals, execution, scalability, and sustainability. Social investors with a big bets approach make large multi-year investments, often in collaboration with others. These investors recognize that game-changing solutions may take years before they deliver high social impact returns. We believe that patient capital coupled with a narrow and deep strategy are essential to driving large-scale systems change.

**Betting Even Bigger Through 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 a business environment characterized more by competition than collaboration, this kind of partnership can seem unnecessary, or perhaps even uncomfortable.

Governments, NGOs, the private sector, and social investors all have a role to play in building and broadening prosperity, and those roles inevitably involve partnerships that are aligned on both purpose and values. 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 that have identified a compelling window of opportunity for impact – 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.

Choosing Where to Play: Philanthropy Sectors in the Marketplace
Spotlight: OUR PEOPLE

Tim Hanstad, an award-winning social entrepreneur, is the Chandler Foundation’s CEO.

“My career working on social and economic change in poor countries taught me that good governance, sound policies, vibrant markets, and fair play are key to building and broadening prosperity. Yet I observed that too few donors were directing their attention to those driving factors. When I came to know Richard Chandler and his foundation, I saw that he was. I was drawn to his unique approach of focusing on the enabling conditions for broadening opportunity and prosperity.”

TIM HANSTAD
CEO, CHANDLER FOUNDATION
Tim Hanstad speaking at the Conrad N. Hilton Humanitarian Prize event at the Waldorf Astoria Hotel in New York City on October 14, 2015.
From Practitioner to Foundation Leader

In 2015, Tim Hanstad had been CEO of Landesa, an organization he had co-founded, for more than a decade. Working with governments, civil society, and businesses to secure economic opportunity for the world's poorest people by helping them obtain legal rights to their land, Landesa had grown from a two-person organization into a global one, having helped provide transformative opportunities to more than 130 million poor families across 50 countries. Among the millions of non-profit organizations in the world, Landesa was ranked among the top ten.

That same year marked Tim's first encounter with the Chandler Foundation. “I was seeking grants,” Tim says, “and I was impressed by the foundation’s approach to grant-making – the focus on impact, betting big and deep, providing flexible capital, the strong emphasis on leadership, and the attention to detail. I was also impressed with the people representing the foundation: they were delightful, smart, tough, and clearly values-led.”

Years later, when Tim felt ready for a new challenge personally and a new generation of leadership was ready to take Landesa forward, Tim joined the Chandler Foundation as its CEO in September 2018.

Understanding Poverty

In many respects, Tim’s journey to Chandler Foundation CEO began well before that first 2015 meeting – it started, in fact, in the sun-blanketed fields of the Pacific Northwest, where from the age of eight until he attended college, Tim’s summers were spent working in farm fields to earn pocket money. “I grew up in a blue-collar home with modest means, and during those summers I was shocked by the poor living conditions of Mexican migrant laborers working alongside me on the farms – many were living in cars or in crude huts next to the fields. What struck me was that they were both the poorest people and the hardest workers I had ever witnessed.”

One Simple Big Idea

Tim maintained a focus on development, social justice, and economic opportunity through high school, university, and law school. It was as a law student that he met Professor Roy Prosterman, a pre-eminent expert on land rights. “For almost twenty years Professor Prosterman had worked, practically by himself, with governments in developing countries to help them develop policies and laws that provided poor people with formal ownership rights to their land,” Tim says. “His insight was that at that time, 80% of the world’s poorest people were farmers and depended on land to survive, and that most of those 80% lacked legal rights to the land on which they depended. If you could help them secure ownership of their land, it would play a key role in helping them live a more stable, prosperous life. So much hinged upon that land: their shelter and income, for example. But it also meant opportunities for education, healthcare, wealth generation, and ability to move beyond farming.”

The cause of the problem very often lay at the governance level: these governments had not yet built the legal, policy, and institutional framework to define and protect property rights. And if the cause lay at the upper levels of the public sector, then the solution did as well.

Execution: Building Multi-Level Partnerships

In countries where the government was interested in addressing the problem, Tim and his Landesa colleagues conducted field research and worked alongside the public sector to craft and advocate for specific solutions. Their first breakthrough testimony came in Vietnam, where a law Professor Prosterman drafted and advocated for provided legal ownership rights to 1 million farmers.

Landesa would bring a similar approach to Egypt, El Salvador, and the Philippines, spending time with poor families to understand their challenges, and then translating that information into policy and legislative solutions crafted in partnership
In this season, Tim sees his role at the Chandler Foundation as “building and leading a team that not only accelerates social outcomes through direct investments in exceptional organizations, but which also shapes the culture of the social investment industry by being a thought and practice leader.”

From Poverty Alleviation to Prosperity Building
“John D. Rockefeller said, ‘Don’t be afraid to give up the good, to go for the great’. If alleviating the symptoms of poverty – disease, hunger, illiteracy, lack of housing – is good, then creating the foundations of prosperity, where individuals, families, and communities can create their own future, is the great,” says Tim. “Rather than focusing solely on direct service delivery interventions to address symptoms of poverty, the philanthropic industry should place more focus on creating the enabling conditions for growing prosperity. That will require more attention to improving governance as well as business climates, and greater engagement with governments and the business sector. This is an area where the Chandler Foundation can lead by results – and by example – as we work to build healthy communities, vibrant marketplaces, and strong nations.”
Philanthropy
IN THE 21ST CENTURY

Richard Chandler looks at historical, current, and future models for creating lasting social legacies.

Considering Old Questions through the Lens of a New Model
In many respects, philanthropists are “better armed” in their battle against poverty than they have ever been. They are deploying unprecedented volumes of capital and possess more than a century’s-worth of examples from which to study; they have global networks of peers with whom they can learn and partner, and can access reams of data to help them measure outcomes and evaluate programs.

Yet for all these advances, the practical and philosophical questions that John D. Rockefeller and Andrew Carnegie faced more than a century ago still remain: how does one harness the skills that helped create wealth to see its wise distribution? Should one build new philanthropic initiatives or fund others? Is it wiser to invest one’s resources over a fixed period or set up an institution to perpetuate them – and if the latter, how can one ensure that generations from now its leaders remain true to the founder’s vision, but have the flexibility to respond to the challenges of their time?

We don’t believe there are “right” or “wrong” answers to these questions, but when we look to our experience and the experiences of others, we find patterns of effectiveness. And when we look to our Prosperity Model, we see the possibilities of a more holistic, collaborative, and strategic approach to philanthropy.

Giving Wisely Has Not Become Any Easier
In 1889 Andrew Carnegie wrote, “of every thousand dollars spent in so-called charity today, it is probable that $950 is unwisely spent.” Sadly, Carnegie’s observation remains timely – philanthropy has become more sophisticated, but it hasn’t necessarily become any easier or effective.

The world is more prosperous today than it has ever been. However, when we look to the success stories of development – whether it is Singapore going from third-world to first in the span of a generation, or China lifting more than 700 million people out of extreme poverty – we see that the driving force is business and trade, not aid. Even more, we find that many countries that depended on foreign aid decades ago remain dependent to this day.

“Of every thousand dollars spent in so-called charity today, it is probable that $950 is unwisely spent.”

ANDREW CARNEGIE
“The Gospel of Wealth,” 1889
“Giving While Living” and the Problem of Fat
Pocket Books
While there are valid reasons for a “Giving While Living” approach, there is also an argument (especially for large foundations) for spending at a slower rate over a longer duration. It allows more time to learn, adapt, and make better decisions – all of which can be incorporated in future strategies. As legendary investor Warren Buffett has said, “a fat wallet is the enemy of high investment returns.” Philanthropy is an iterative process, and it often takes years of mistakes and experience before it is done well. Putting Band-Aids on poverty can quickly eat up capital. Building ladders to prosperity takes much longer.

John D. Rockefeller and the Value of Institutions
John D. Rockefeller, like Andrew Carnegie, invested his philanthropic dollars in building an institution that would have an impact beyond his lifetime. In 1913, the Rockefeller Foundation was chartered to fulfill an enduring mission: to promote the well-being of humanity throughout the world. In its 105-year journey, the Rockefeller Foundation has addressed a broad range of issues including poverty in the US during the Great Depression, the Green Revolution in Africa, and smart power in India. Many of the challenges and innovative solutions the Rockefeller Foundation has grappled with over the years could never have been envisioned by Rockefeller in his day. By building a living institution that continuously learns and evolves from the past, Rockefeller was able to create a living legacy with a perpetual role to play in shaping industry-thinking and practices. In an industry with so few role models, the institution is a legacy in itself.

Andrew Carnegie and the Shame of Dying Rich
In 1889, the American industrialist Andrew Carnegie wrote an essay entitled “The Gospel of Wealth.” In what is considered one of the first treatises on philanthropy, one of the world’s richest men advocated that wealthy people should distribute their wealth in their lifetime. Carnegie believed that the rich were trustees of their wealth and that their finest responsibility was to distribute it to programs that help the poor.

In more recent times, the Irish-American philanthropist Charles “Chuck” Feeney adopted a similar philosophy. He has given away more than US$ 8 billion in his lifetime. However, when Carnegie wrote, “The man who dies rich, dies disgraced,” he did not exactly share Feeney’s “Giving While Living” approach to philanthropy. Today, many of Carnegie’s philanthropic trusts have already marked their centenary, still making an impact over 100 years later.

The Trend of Limited Life Foundations
Traditionally, when philanthropists establish foundations, they envision an institution that will give in perpetuity. In recent years, some philanthropists have started a trend of creating limited-life foundations that are required to spend their full endowments and close within a set number of years. Feeney’s Atlantic Philanthropies plans to close by 2020, and the Bill & Melinda Gates Foundation will close within 50 years of the death of its trustees.

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There have certainly been chapters of success for aid and philanthropy, but there are also many stories of misunderstood challenges, misdirected programs, and mismanaged resources.

**Philanthropy Remains a Very Difficult Industry**

The American oil titan John D. Rockefeller said of his early days in philanthropy: “I invested and worked myself almost to a nervous breakdown in grappling my way, without sufficient guide or chart, through the ever-widening field of philanthropic endeavor. It was forced upon me to organize and plan this department upon as distinct lines of progress as our other business affairs.”

Rockefeller discovered – as many have since – that business and philanthropy share guiding principles, but are vastly different industries in practice. What makes philanthropy so challenging?

- It is diverse and complex
- Most effective programs are small and hyper-local, making them difficult to scale
- Execution is often hampered by poor skills and standards
- Results are hard to quantify
- The culture and language of the industry is too often focused on needs, not outcomes

**Large-Scale Philanthropy is More Aligned with An Investment Approach**

Largely out of necessity, early philanthropists built and developed programs themselves – there were few organizations of scale tackling societal problems at the time. This disciplined approach helped to professionalize the industry. It embraced risk, valued accountability, and was intolerant of failure and mismanagement. This created – and still does create – tension in an industry that does its best to resist the principles of responsible stewardship.

However, modern large-scale philanthropy demands more the mindset and skillset of an investor rather than one of a “business builder.” Those with investment backgrounds approach philanthropy with an outcomes-based perspective and look for social returns on capital invested, and are positioned to manage diverse opportunities and to apply disciplined analytics. This isn’t to suggest all investors succeed as philanthropists or that all investors should aspire to philanthropy; the great investor Warren Buffett decided to give a large portion of his wealth to the Bill & Melinda Gates Foundation, on whose board he sits.

An investment approach can present drawbacks, however. Investors often begin with a top-down asset-allocation framework focused on specific countries or sectors before they seek programs and implementers. But in the philanthropic marketplace, many of the most innovative opportunities lie “outside the box.” With the industry’s growth over recent decades, philanthropic advisory firms have emerged to guide investors in designing top-down strategies and capturing bottom-up opportunities. Many private banks also offer philanthropy advisory services to their high-net-worth clients.

**Philanthropic Orphans and The Importance of Matching Vision, Strategy, and Structure**

As one grapples to find the best approach, other questions remain. Strategy and structure must be aligned. Those who have succeeded in business and who possess a desire to create a social legacy often leave some or all of their shareholding in their business to their foundation. This entity, in turn, becomes a major stockholder. Examples include
Survivors Focus on a Core Ideology While Managing Change

“If there’s one lesson to keep in mind above all others, it is this: build your company so that it preserves a passionately held core ideology and simultaneously stimulates progress in everything but that ideology. Preserve the core and stimulate progress. A truly visionary company embraces both ends of a continuum: continuity and change, conservatism and progressiveness, stability and revolution, predictability and chaos, heritage and renewal.”

JIM COLLINS

the Ford Foundation and Wellcome Trust. Over time, many foundations will dispose of the founder company’s stock under the guise of prudent risk management and the presumed wisdom of diversification. The reality may well be a desire for their own independence.

When foundations become separated from their founding enterprises, an erosion of identity, ideology, heritage, and culture is inevitable. Over time, the foundation can become unmoored or orphaned, leading to “ideological capture” by whichever leader is in charge. Some philanthropists try to counter this through well-defined donor intent clauses in the foundation charter. But this approach can shackle the foundation to yesterday’s problems and restrict its ability to adapt and contribute to new challenges and opportunities. Others manage this risk by adopting a “giving while living” strategy or enacting a limited-life charter.

One of the sectors of focus for the Gates Foundation is global health. Its initiatives in vaccines and neglected tropical diseases have
created significant impact. These results come after almost two decades in philanthropy. As in most disciplines it takes considerable time to build expertise and experience. And yet at some point, having a limited life charter, the Gates Foundation will wind up. The foundation’s expertise may be lost to the world.

In general, specialization and focus are good strategies, benefiting not only those in need, but also other foundations who can learn, partner and be inspired to invest in the sector. However, without the right structure a foundation’s impact will be time-bound, lessons will be forgotten, and mistakes will be repeated.

The Value of Heritage in Guiding Philanthropic Purpose
In our view, heritage plays a significant role in developing a foundation’s mission and philosophy,

A Business House as a Living Legacy

The Tata Group, headquartered in India, exemplifies a socially minded business house. The group was founded in 1868 and is now a global conglomerate of more than 100 operating companies. Tata’s most-recognized businesses are Tata Consultancy Services, a global IT services company with a market capitalization exceeding US$ 100 billion, and the motor vehicle manufacturer Jaguar Land Rover. Tata’s mission statement is broader than business: “To improve the quality of life of the communities we serve globally through long-term stakeholder value creation based on Leadership with Trust.”

What is less known about the Tata Group is that the majority shareholder of its holding company is the Tata Trusts, a philanthropic entity that supports education, health, livelihoods, and arts and culture. Tata’s giving is as diverse as its portfolio companies. In addition to donating and supporting a range of organizations, Tata companies themselves undertake a wide range of social activities. For example, Tata Power trains young people through its Tata Power Skill Development Institute to provide them with employment opportunities in the power sector.
While also anchoring an organization in its purpose. Talents and vision in particular fields often run in a generational line. While it may be tempting to see philanthropy as something separate to the founder’s business, often a foundation’s greatest asset is the invaluable domain knowledge that took the founder decades to acquire. By staying in one’s lane or “circle of competence,” the foundation will avoid having to learn the painful lessons that tribes learn when they cross borders into territories that are unfamiliar.

How might this look in practice? What if, for example, the Ford Foundation focused on electric transportation, or the Wellcome Trust focused on healthcare and pharmaceutical innovation, or the Gates Foundation invested in software applications for healthcare, education, and e-government?

Business and Social Legitimacy
Early 20th-century American business titans such as Rockefeller and Carnegie encountered significant social and political questions relating to their business, their methods, and their wealth. Carnegie ultimately sold his business, US Steel, to J.P. Morgan and spent the rest of his life giving away his money. Rockefeller’s Standard Oil was deemed a monopoly and broken up by US anti-trust regulators. Rockefeller then devoted his time to philanthropy.

It appears that social legitimacy was a significant factor in these gifted entrepreneurs turning from business to philanthropy. Lost in the narrative is the contribution they and their businesses made to building the American economy. Carnegie’s steel was used in constructing the large cities of New York and Chicago. Rockefeller played a central role in two innovations that made significant contributions to society: the making of kerosene for lighting homes and streets, and of gasoline for motor vehicles.

This raises difficult questions for today’s entrepreneurs: should founders give up their businesses – which are probably creating immeasurable social good – to give their fortune to charity, which may create little lasting social value? How many foundations have created more social good than the businesses that established them?

Business and Investment Build the Middle Class
Business leaders from developing countries are nearly unanimous in their belief that business and investment create more social value than charity. Carlos Slim, Mexico’s wealthiest businessman, has said: “The only way to fight poverty is with employment.” He believes – and history is on his side – that building businesses is a job creator and prosperity multiplier.

We believe this debate confuses two separate but interrelated goals. Business can create jobs and permanently reduce poverty; charity can address a number of other valuable social aims but cannot by itself create prosperity. As our Prosperity Model advocates, crossing the poverty-prosperity border is all about a nation’s ability to build a middle class.

Doing Well and Doing Good: Business Houses and Social Missions
Business houses with a social philosophy and mandate are in a unique position: they are able to work across different levels of the Prosperity Model and build flourishing businesses that lead by example, innovate, create employment, and serve society with goods and services that contribute to their prosperity and well-being.
We have seen in recent decades, for example, that material progress in developing countries has often been driven by technological advances such as mobile phones. Low-cost mobile phones have not only connected business, markets, customers, and suppliers, but have also become a platform for banking transactions. M-Pesa in Kenya exemplifies how technology has fundamentally transformed the ability to transact and do business.

This “business house” paradigm goes beyond simply pursuing financial returns and then engaging in corporate social responsibility (CSR). Unfortunately, most CSR is either corporate philanthropy that redirects shareholder funds, or corporate marketing. A business house can sow more lasting seeds, which both power and expand a nation’s middle class.

The Territory of Philanthropy: Missions and Minefields

If we stop looking to aid and charity to kickstart prosperity, we can instead focus on where charity does make a difference: in the diverse social foundations and institutions of society such as vocational skills, education, and health. And yet, we should not be content to camp out here. Too many philanthropists remain at Level 3 of the Prosperity Model.

Investing in social or community foundations can be a crowded space. And in crowded markets, the returns are typically lower. This can challenge even those with insight, experience, and capital. A decade-long Gates Foundation-backed US$ 575 million investment in American education – an industry valued at more than US$ 1.3 trillion in 2017 – fell short of its ambitious aims. An independent study by RAND Corporation on the Effective Teaching Initiative concluded that “the initiative did not achieve its goals for student achievement or graduation, particularly for LIM [low-income minority] students.

Following the lack of success in the US, it would be natural to look overseas where education investment dollars might go further. But a recent New York Times article titled “South Africa Vows to End Corruption. Are its New Leaders Part of the Problem?” might give one pause. The article details South Africa’s rampant diversion of public funds away from education to fund political aspirations – a phenomenon by no means unique to one country.

Moving Beyond Community Foundations

Our vision for philanthropy in the 21st century is one where the focus is on building creative societies anchored in innovation and good governance. This calls for risk-taking and investing in innovative programs at Levels 1 and 2 of the Prosperity Model – areas that have traditionally fallen outside the purview of philanthropy or, because of their complexity, been deemed too risky to consider.

In 2019, for example, we launched the Chandler Institute of Governance, an initiative that trains leaders and civil servants in the tradecraft of nation building. Based in Singapore, the Chandler Institute draws on the lessons, inspiration, institutions, and ideologies that have created a role model for successful nation building.
Is Philanthropy a Noble Calling or a Social Obligation?
The world today is more interconnected and codependent than ever before. Whether through compassion or an understanding of enlightened self-interest, we believe that every person, family, tribe, and community has a role to play to meet the needs and to serve the dreams and aspirations of those around them.

There is no doubt that philanthropy has achieved immeasurable good throughout history. Giving is not only a God-given imperative, it is at the heart of human values, a reflection of honor, respect, empathy, and compassion for others. Does this mean all are called to be philanthropists? No. In our view philanthropy is a profession, like any other – and we all need to recognize “our lane” and our limits.

Building a World Where Everyone Flourishes
Businesses today have a tremendous opportunity to both serve communities with goods and services, and also to act as a responsible steward of a nation’s human, financial, and natural resources to create shared prosperity. While businesses are powerful catalysts of prosperity, the task does not fall to them alone.

Companies cannot always sustainably reach those at the very bottom of the “Social Mobility Ladder,” while aid alone cannot sustainably empower people to ascend to the highest rungs. And without good governance, businesses and aid see valuable resources stifled and siphoned off, and individuals live without the opportunity to realize their dreams.

Whether one is involved in business, social work, hospitality, technology, government, or science, every profession is valuable when it is done with passion and diligence. It is by recognizing the limits of our own philanthropy and appreciating the tremendous power of collaborative, co-operative, and holistic efforts, that we help lay the foundations for prosperity that will stand the test of time.
The GOODNESS OF BUSINESS

Business as a Force for Good
The Chandler Foundation shares an identity, heritage, and purpose with our founder’s international business, the Clermont Group. Together, the Chandler Foundation and the Clermont Group share a common dream – to see a world flourishing with everyone’s creativity.

The Clermont Group builds businesses that create goods and services that meet the needs of society, generate employment, and provide opportunities for individual growth and fulfilment. These businesses contribute to the essential elements of a thriving society – e.g. healthcare, access to capital for small businesses, and a cleaner environment for all.

Trust at the Center of the Business Model
Clermont always works to put principles before profits, reflecting the belief that trust is the foundation upon which true long-term prosperity is built. The company defines success and measures itself by the trust equity it builds in the workplace, marketplace, society, and amongst shareholders. In doing so, Clermont honors the social license it has been granted to operate and build corporate sustainability.

Clermont’s trust equity framework defines corporate responsibilities across four levels: (1) workplace trust, which is essential for a healthy work environment; (2) marketplace trust, which deals with fair and ethical relationships with customers and suppliers; (3) societal trust, which is founded upon respect and contributions to the communities in which the business operates; and (4) shareholder trust, which is established by stewarding shareholder capital responsibly and effectively.

The trust equity framework is not only important for businesses, but is equally relevant for broader societal trust across and among government, philanthropy, and civil society. Developing this societal trust equity across institutions is foundational for building a more prosperous and thriving society, and is central to the Chandler Foundation’s mission.

Building Industry Leaders and National Champions
Clermont believes in the goodness of business and embraces the role it has to play in creating greater prosperity in the world. The Clermont Group owns and operates world-scale companies that play a major role in their countries’ national economies. It trains corporate leaders to build generational businesses that create both long-term shareholder value and positive social impact.
SBFC: Access to Finance for Indian MSMEs
There are over 50 million micro-, small-, and medium-sized enterprises (MSMEs) in India employing about 40% of the country’s workforce. They contribute 37% of India’s non-agriculture GDP and over 40% of the nation’s exports. These MSMEs also have a US$ 350 billion financing need. And yet, for these enterprises, capital can be a scarce resource. Small Business FinCredit (SBFC) provides over 57,000 MSMEs with credit through 94 branches across 61 towns and cities in India. Through SBFC, Clermont is investing in India’s middle-class engine room to drive business, commerce, and growth.

Hoan My: Healthcare For Vietnam’s Emerging Middle Class
Hoan My is Vietnam’s leading healthcare group. Comprising 15 hospitals and over 5,500 employees, Hoan My serves 3.7 million patients annually. The healthcare group is not only increasing access to healthcare in Vietnam by providing care to much of the country’s middle and emerging middle class, but it is also raising the standards of healthcare in the country by modelling excellence in the industry. In 2017, Hoan My was awarded the Labor Medal by the President of Vietnam for its achievements in medical services, charitable activities, and contribution to building the country.
Eviation and magniX: A Cleaner Way to Travel

Air travel connects cultures and communities but remains inefficient, polluting, and expensive. Through its investments in Eviation and magniX, the Clermont Group is leading the development of affordable and environmentally-friendly all-electric flight. By bringing to market an advanced electric propulsion system for aircraft, magniX will pioneer a new generation of electric motors to shape the future of the aviation and transportation industries. Eviation’s Alice aircraft, which was a star of the 2019 Paris Air Show, is powered by magniX’s electric motors. In addition to the obvious benefit of providing a cleaner way to travel, the Alice will lower the cost of flights, making air travel possible for populations that have not had the economic means to fly, and better connect remote towns and rural areas to larger markets.
The Importance of VALUES

Before Adam Smith became famous as the father of free-market economics through his book *The Wealth of Nations*, Smith wrote *The Theory of Moral Sentiments*, a still little-known treatise about the role of values and virtues in economic and social life. Adam Smith’s influential theories of market economics were grounded in and intertwined with his beliefs that personal values and cultural values were the linchpin to a successful ordering of society. The relative obscurity of *The Theory of Moral Sentiments* contrasted with the popularity of *The Wealth of Nations* reflects a broader lack of emphasis today on the foundational role of values in guiding behavior – in personal life, in work life, in the marketplace, and in building societal systems and structures.

Unfortunately, an unbalanced emphasis on the pursuit of self-interest has eclipsed the role of values – and particularly those values rooted in elevating the interests of others above self – in leading to individual and societal success. It is those values that David Brooks hearkens back to in his book *The Road to Character*, in which he calls for a re-balancing of the scales between one’s “resume virtues” – achieving wealth, fame, and status – and “eulogy virtues,” those that exist at the core of our being: kindness, bravery, compassion, honesty, faithfulness, and selfless love.

At the Chandler Foundation, we believe that such values must start – but never end – at the individual level, and are integrally tied to individual, group, organizational, and societal betterment and success. We reject worldviews that begin and end with self. We embrace a framework that asks: “what is life asking of me and how can I match my talent and resources with one of the world’s deep needs?”

We believe that shared values are the basis for the most successful partnerships – partnerships among donors, but also among program partners, governments, and businesses that are necessary to successfully address the world’s most challenging problems.

We believe that societies, at their best, are able to develop cultural norms grounded in these virtuous values; and that such positive cultural values foster economic growth, while their absence retards it. Economic life is deeply embedded in social life, and it cannot be understood apart from the customs, morals, and habits of the society in which it occurs.

Individual and cultural values that facilitate trust are particularly important as trust is crucial for building and broadening prosperity. Trust is a lubricant that allows for more collaborative, efficient, productive, and enjoyable relations at the individual, organizational, and societal levels. High-trust organizations are more productive than low-trust organizations, and high-trust societies are more prosperous than low-trust societies. Solutions and processes can best build that trust when they embed values such as integrity, openness, fairness, humility, respect, inclusion, and grit.
Our VALUES

We cannot influence what we do not model.

Modelling Our Values
At the Chandler Foundation, we believe that thriving individuals, organizations, and societies have a moral center. We recognize that we cannot influence what we do not practice. We seek to model the same values that we require of our champion organizations, and that we believe will contribute to building and broadening prosperity.

Humility and Servant-Heartedness
Humility is key to learning and to serving the interests of others. We value wisdom and receptiveness to growth over intellect and achievement. We believe that humble people are teachable learners and are more capable of selflessly serving others. We nurture servant-heartedness and seek to share this core value with those we serve and others in our relational networks.

Integrity
We believe integrity is the bedrock on which strong individuals, communities, organizations, and prosperous nations stand. Integrity means choosing the right over the convenient. It involves telling the truth, putting principles before profits and taking the noble path, not the easy path. At the Chandler Foundation, we value ethics and good governance, and we expect the same of our partners.

Excellence
Successful organizations that are “built to last” make excellence a daily responsibility. We believe excellence is a lifelong discipline – a part of the journey, not a destination. We are constantly seeking to improve the way we do things through Rapid Incremental Innovation (RII). The Chandler Foundation holds itself to the highest standards of operational excellence, elegance, and discipline.

Innovation
We look for innovation and creativity in our champion organizations, and also seek breakthrough in our own work. We think outside the box and do not mind taking a contrarian view. We seek to constantly improve our work and approaches for better results, adopting new and innovative ways of achieving greater social impact.

Impact
We believe in excellence because excellence results in greater social impact. We exist to achieve outsized social impact in building and broadening prosperity. We achieve that impact by investing in champion organizations that share our purpose and values, and by using our influence to shape the culture and practices of the social investment industry.

Accountability
We engage in honest self-reflection and confront the brutal facts. We strive to live up to our values and stay focused on our North Star. Results matter and we cannot make progress without truth and transparency.
**Partnership VALUES**

*Effective partnerships require shared purpose and shared values.*

When taking 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**

We are in partnership together because we value what each of us brings. We recognize the limitations of one’s own ideas and experience. We have much to learn from each other. We value listening above our desire to be heard. We put getting results above our egos.

**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.

**All-In Commitment**

In a partnership, every party is responsible. 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.

**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 disagreements 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.

**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.
The Chandler Foundation Story

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 its 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. In addition, 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.
The Chandler Foundation is a philanthropic organization based in the United States. We are built on more than 20 years of experience in granting, social entrepreneurship, and program management in different countries around the world.

We believe creative societies are prosperous societies. Our mission is to build healthy communities, vibrant marketplaces, and strong nations. Our dream is to see a world flourishing with everyone’s creativity.

If you would like to contact us please email info@chandlerfoundation.org