Living with the Gates Foundation

December 6, 2011, 12:00–2:00pm

Program and Panel

12:00 p.m. Welcome by Hudson Institute's William Schambra
12:10  Panel discussion
   Laura Freschi, Associate Director of the New York University Development Research Institute
   Darin McKeever, Deputy Director for Charitable Support at the Bill & Melinda Gates Foundation
   Timothy Ogden, Co-Founder and Editor-in-Chief of Philanthropy Action
   Edward Skloot, Director of Duke University's Center for Strategic Philanthropy and Civil Society
1:10  Question-and-answer session
2:00  Adjournment

HUDSON INSTITUTE
WILLIAM SCHAMBRA: Thank you all for coming in spite of the weather. My name is Bill Schambra, and I’m director of Hudson Institute’s Bradley Center for Philanthropy and Civic Renewal. Kristen McIntyre and I welcome you to today’s discussion entitled, “Living with the Gates Foundation,” which we are proudly co-sponsoring with Alliance Magazine. The topic today was suggested to us by the magazine’s September issue bearing that title, and we are pleased to bring together today several of the contributors to that issue.

First, our customary preview of coming attractions. On February 2nd our topic will be, what is social justice philanthropy? Our lead panelist will be Albert Ruesga, president of the Greater New Orleans Foundation, who also blogs under the title, White Courtesy Telephone. Even though I am often the dubious beneficiary of his attention and his acerbic wit, he is clearly one of the two or three most thoughtful commentators in this sector, and so we look forward to this. As I often do, I’ll be in touch with NCRP’s Aaron Dorfman and others to help me think through other panelists for this occasion. And Aaron, thank you again for all your willingness to help out on these kinds of queries over the past couple of years.

Now, for today’s panel. As I do occasionally in these introductions, I cast back this morning to an earlier time in American philanthropy for some sort of precedent for the issue before us. In this case, we go back to the year 1914 and we hear a lament from William H. Allen, who at the time was director of New York City’s Bureau of Municipal Research, which in his view was far too reliant on the largess of the Rockefeller Foundation. He complains, “There are things being lauded throughout the world today that every scientific man knows are not true. We don’t dare to tell the truth; we all want some of the money, we are all becoming the white slaves of philanthropy.” White slavery being a euphemism for prostitution.

Of course, nothing of the sort can be said today about the relationship between large foundations and their grantees. Nonetheless, the modern Gates Foundation dominates the landscape of American philanthropy in a way that no single foundation has done since probably the earliest days of the Rockefeller Foundation at the turn of the 20th century.

So we turn now to examine the many issues raised by this dominance, with the assistance of a distinguished panel of commentators. We’ll hear first from Timothy Ogden, editor-in-chief of Philanthropy Action, who helped Caroline Hartnell of Alliance Magazine to put this together and was a guest editor of this issue. Then we’ll hear from Laura Freschi of New York University’s Development Research Institute. Next up will be Edward Skloot, formerly and famously of the Surdna Foundation, now director of the Center for Strategic Philanthropy and Civil Society at Duke University. Ed, you know strategic philanthropy and civil society are like, diametrically opposed. You do understand that, right?

EDWARD SKLOOT: I haven’t gotten them together yet, but someday I will.

WILLIAM SCHAMBRA: Okay, good. And finally, we’ll hear from Darin McKeever, who leads the Gates Foundation’s Charitable Sector work. I should add that we are grateful to the Gates Foundation for its willingness to be represented in this discussion today, which is a degree of openness and responsiveness that, as you well know, is not often found among many foundations, much less the largest foundations. So we are deeply appreciative of that.
I should add that Tim is also going to help me co-moderate the session.

TIMOTHY OGDEN: Thank you Bill and thank you all for coming. It’s gratifying, after putting work into something like this, to actually find out that someone in the world cares. So if you haven’t seen it, let me briefly hold up the recent issue of Alliance Magazine. I can highly recommend it, and not just this issue, but a new issue has just come out. If you are not a subscriber to Alliance Magazine, I am going to unilaterally offer a subscription discount to anybody who Tweets @TimothyOgden and asks for one. Caroline, I hope you are listening and you’re not calling me rapidly to try to stop me from doing that.

Speaking of Twitter, one other piece of housekeeping. I always enjoy hearing what other people think and find memorable, so if any of you are Tweeters, I’d love it if you’d use the hashtag, #LWGF for Living With Gates Foundation, so that I can, after the session, find out what resonated with people and what questions were out there. So if you are one of those folks, please keep track of that hashtag or use it.

Now, let me kick off our conversation by asking, how many of you either work for, have received a grant from or partnered with a foundation that gives away more than a million dollars a year? All right. More than $5 million a year? More than $10 million a year? More than $10 million a day? The people, including Darin and the grantees of the Gates Foundation, would in fact be the only people to raise their hands for that. It’s difficult sometimes to really wrap our heads around how much bigger Gates is than anything that has preceded it. Often people comment that Gates is nothing compared to the size of the Rockefeller Foundation when it was started, particularly when you compare it to the size of government outlays. I find that a relatively irrelevant comparison, because I have not yet met anyone whose professional life in philanthropy started during that era of about 20 years between when Rockefeller started and when the income tax vastly expanded government spending. So we really don’t have any living precedent for what it is really like operating in a civil society with an organization that so exceeds the scope of others of its kind.

One consequence of that size is, necessarily, the fact that it has influence and that it works with a lot of people. So I am trying to inaugurate a new game in the philanthropic sector called, “Six Degrees of Gates Foundation.” For those of you familiar with “Six Degrees of Kevin Bacon,” it works just the same. The quick explanation is that there is this theory that you can connect every person who has ever worked in Hollywood within three or four people to Kevin Bacon. And so there is a contest to see how many connections it takes to get people to Kevin Bacon.

In this case, the contest is how quickly you can connect anyone in the sector to the Gates Foundation. So I’m going to ask our panelists if they would announce their Gates Foundation number as they speak, and when we get to the open discussion, please give your own personal Gates Foundation number. Mine is one several times over. Different organizations that I’ve worked with have been funded by the Gates Foundation in some way, but not myself directly.

Which points to another interesting question, which is what does it mean to live with the Gates Foundation? One of the things that Caroline and I found when launching this issue is that people
are a little concerned about what to say, when to say it and how to say it about the Gates Foundation. I was the editor of this special section because the person who originally agreed to do it got cold feet and decided that they didn’t want to be in the public sphere editing an issue discussing the Gates Foundation. You can conclude rightly that I don’t think I have much influence or ever will, as my willingness to put myself on the line here.

So when we went out to recruit people to contribute to the issue, one of the things that we found is, a significant number of those people did not want to comment publically. Now, I want to be very clear that this was not because they had indicated that there was any censorship, any requirement or that they were going to end up on the wrong side of the Gates Foundation directly. It was just that they were co-founders or they were grantees or they were partners of grantees or had been grantees in the past, or were looking at launching a program that Gates might also fund that they thought, ‘You know, it’s better just to be safe here and not be on the record publically talking about the impact of the Gates Foundation.’ So we are grateful to those people who did decide to step out and speak candidly about this.

From my perspective this is a vital conversation to be having because the Gates Foundation will be changing the way the sector works just by the nature of its very existence. So almost everyone in the sector is going to have to be thinking about, what is the impact of what Gates is doing on me and my partners? The Gates Foundation is going to have to be thinking about the impact of any one of its decisions because of the influence that it carries, both because of money and its stature.

I want to hopefully jump start something that rarely happens in philanthropy, which is people talking about big problems while they’re happening, instead of waiting until much later and doing retrospective analysis of what was happening and what went wrong. I think the Gates Foundation needs honest feedback if it is going to get the best from itself, as it clearly desires to do. And I think the sector needs honest conversation about what needs to change in the sector.

One of the things that was written about in the issue is that, ultimately, the Gates Foundation is going to cause a broader conversation about the role of philanthropy in our society, and particularly of foundations. To quote Jacob Harold of the Hewlett Foundation, noted this year, “Foundations are the most unaccountable institutions in American today. It is just the very nature of the public policy that we’ve created there.” So we do need to be having this conversation.

That being said, I also think we need to recognize the enormous challenge in front of the Gates Foundation. No one else has ever had to give away $10 million dollars a day. No one else has ever had to deal with the fact that, if they announce a strategy, it changes what people do, and if they don’t announce a strategy, it changes what people do.

At the same time, even with all those resources, they cannot do everything. So when we do get to the Q&A time, I will warn you that I will aggressively cut off attempts to critique them because they are not funding something. If you want to make an argument that they should be funding something differently, that has to be based in the idea that it is something that will clearly help them accomplish their goals better than the strategy that they are deploying. So if you wanted to
talk about how they make their choices, great. If you want to suggest that they should be doing something that they’re not doing, I just don’t think that’s helpful to the conversation.

With that, I am going to turn it over to someone who has some words of critique for the Gates Foundation in how they decide what they’re doing and what that means for the impact on broader society.

LAURA FRESCHI: Thank you for inviting me to be here. It is really an honor to be presenting alongside such distinguished panelists, and I’m really glad to see such a healthy interest from the audience, which I think shows a desire to have this open and honest conversation and to be able to be critical, and also help the Gates continue to do the good and lifesaving work that it does.

To set the context for my remarks, I come to these questions from the perspective of international development. Most of the large organizations in international aid are, of course, public institutions. The World Bank, USAID, and WHO are governed by elected governments and their appointed officials. The criticisms my colleagues and I at the NYU Development and Research Institute have made of those large organizations are ones that you have probably heard before – not enough transparency, not doing enough to measure impact, broken accountability chains, and failure to avoid corruption.

Now the Gates Foundation, as a large and influential private institution, has several advantages over these more traditional aid organizations. They’re more nimble, more focused, and more unilateral, which means they can overcome collective action and inertia problems and get things done more quickly. They are also more willing to take big risks and invest in research and development, which means that they support underprovided public goods like research and data collection that benefit the whole field.

Despite these strengths, they face some of the same structural constraints that the more traditional aid agencies do, as well as some new challenges that are possibly unique to them. I’ll very briefly touch on the topics of accountability, technology bias, and advocacy at Gates, give two examples, and venture a few ideas for solutions and questions for the future.

A major critique of aid agencies that you are probably very familiar with is that the providers of aid are not accountable to the recipients of aid. There are no natural feedback loops as there are in business, whereby your customers tell you that they like your product by buying it or not. In the case of a traditional aid agency like USAID, the U.S. Congress provides the funding, so the American people have the power to vote them out, and yet it is the people in Afghanistan, Malawi, and Uganda who are the ones to say whether or not they are receiving something of value.

With the Gates Foundation, the accountability problem takes on a slightly different dimension. Even though the foundation has the ability to set agendas in global health, somewhat like a public institution, and even though it gives development assistance on the scale of a medium-sized European power, it is in fact a private foundation accountable only to its four-member board. The foundation has said that they are listening to this critique, and I won’t dwell on this area, and in response, they have created advisory boards for each program area. But I’m willing
to venture here that this problem is big enough that this is not adequate. The advisory boards
don’t have decision-making power, and some of the advisors are associated with groups or
governments that receive Gates funding, which of course creates incentives against challenging
the funder.

I realize that I did not make my Kevin Bacon declaration at the beginning. I think it’s one; my
co-author on this article has worked for Gates. So one.

Another long-standing critique of aid agencies is their preference for seeking technological
solutions to the problems of world poverty. It is actually fascinating to read development
theorists and aid officials who proclaim that at long last we are able to solve the world’s poverty
problem because of the latest advances in technology. Then you look at the date and see that they
are writing in 1965 or 1980, which you think might make people more humble about what we are
able to accomplish purely through technology, but too often it doesn’t. This is sort of like the
definition of insanity to me, that aid agencies make the same failed predictions over and over
again, each time expecting the outcome to be different.

I say this to put Gates in the context of more than a half-century-long quest to find technological
solutions to global health problems. Some of the greatest successes in aid do come from
technological innovations, but what the overly optimistic predictors seem to forget is that
technology does not implement itself. Technology depends on people to implement it. People
who need to face the right incentives to fix glitches, who need to get the right inputs to the right
places, and ultimately local people who need to understand and want to use and be able to use
the new technology.

My point is not that Gates should not invest in technology. In fact, I think there is a very good
argument to be made that a focus on high-risk investments in technology is appropriate given the
background and interests of the founders. However, I’m concerned that there is still an innate
bias for technological solutions, and want to pose just a few questions. Does Gates’ preference
for high-tech solutions lessen the incentive for other actors to find non-technological solutions,
even if their sweet spot isn’t technology? Does the language used by Gates and others about
technology in the aid sector allow the international community to talk around fundamental
causes of global poverty and suffering, like corruption, human rights abuses, war, and social
inequality?

I do want to give the foundation credit for learning and evolving in response to this criticism. But
as an outsider and without greater transparency on the part of the foundation, it’s hard to be more
specific. The foundation emphasizes that they are learning as they go, and has created a section
on their website called, “What We’re Learning.” But I have to conclude that whatever they’re
learning, they are mainly keeping it to themselves, because if you go and search on that section
for research and evaluation in the area of global health, you get exactly one result. And yet, you
know there is a lot of failure happening. There has to be, because they are explicitly making very
high-risk investments. And yet, you don’t see much in the way of stories about failure or honest
self-evaluation. I would challenge the Gates Foundation to be a pioneer in this area, and I think
their success depends on it.
But perhaps the most path-breaking aspect of the foundation is their robust advocacy efforts. In the area of global health, the single largest line item for 2009 was not malaria, not polio, and not HIV/AIDS, but policy and advocacy. Richard Wharton in the *Alliance* issue did an admirable job explaining the extent to which Gates is able to use advocacy to set the global health agenda in a way that is quite path-breaking for a non-state actor. When Bill Gates decides to invest hundreds of millions on a research priority and is able to follow that up with a very savvy advocacy strategy, people follow the money, and the priorities of other players shift towards the Gates priority and away from other priorities. An example here is when in 2007 the Gates Foundation announced at the Malaria Forum that eradicating rather than simply controlling Malaria would be a top funding priority. The WHO and other large donors followed their lead, despite the opinions of many malaria experts that this goal was not wise or feasible, including the Chief of Malaria at WHO at the time, who no longer holds that position.

It is also impressive to look at the list of major media organizations that Gates supports with direct grants to encourage coverage of global health issues. UK’s Guardian, the BBC, ABC, PBS New Hour, Public Radio International, NPR, and Front Line; generally with grants between $1 and $4 million. Gates also funds policymaking non-profits, training programs for journalists, and research on effective ways to craft media messages. All of these grants come with insurances of editorial independence, but I find it hard to believe that this funding, which is probably quite important to these organizations in the current media environment, won’t influence the nature of coverage in some way. Even if this was not the intention, my concern is that the end result is that there is ultimately less coverage that is able to hold the foundation accountable.

And as a side note, I was going to mention what Tim already did, which is that they had a difficult time in getting contributors to the Gates edition of *Alliance*. The fact was that many people were interested but thought it best not to comment publically. I can’t criticize those people’s self-preservation instincts, but I do wonder how this scenario serves the world’s poor.

Gates also seeks to shape the public discourse about global health with their advocacy effort *Living Proof*, which showcases success stories about progress made through US official aid. It takes a relentlessly optimistic tone towards prospects for solving the world’s greatest health challenges.

These concerns may seem theoretical, but in practice they can make a difference because if the lack of accountability, an innate technology bias, and aggressive advocacy are combined together, these things have the potential to go wrong in a way that is not good for the sector as a whole.

I want to close with just two recent examples on how the threads that I have discussed can come together. These stories are not meant to be conclusive, just to provide some more specific applications. The first is regarding the foundation’s efforts to eradicate polio, which have run up against the limits of a technological approach. In this case, there is already an effective oral vaccine, and the foundation’s materials, along with some extremely inspiring advocacy videos, assure us that we are tantalizingly close, 99 percent of the way, to polio eradication. But they don’t mention that the number of annual cases has actually stagnated since 2000, while the annual funding has gone way up. Experts say that those countries which still have polio have it
not because the technology is not available to them, but because of ongoing violence, dysfunctional and weak health systems, and failures of leadership.

Gates has invested close to one billion in the effort to eradicate polio, and in October of this year, a monitoring board for the global effort sounded an alarm that the goal of eradicating polio by 2012 will probably not be met. The disease is still endemic to India, Afghanistan, Pakistan, and Nigeria, and continues to break out in countries where it has been eliminated in the past, most recently Angola, Chad, Congo, and Tajikistan.

But perhaps the most interesting part of the report was where the board talked about failure to take on criticism because of an established narrative of positivity, a pervading sense of nearly-there. The board saw danger in how the program deals with information that does not sit well with this narrative of optimism. They say, we have observed that the program is not wholly open to critical voices, perceiving them as too negative, despite the fact that they may be reporting important information from which the program could benefit, and that the program displays nervousness in openly discussing difficult or negative items.

As my co-author, Alanna Shaikh, and I asked in our article, if the Gates Foundation influences governments, NGOs, and the media on public health, who will be left to offer objective feedback on its goals, practices, and impact?

Another interesting case study in advocacy, transparency, and vaccine technology is the Gates Foundation’s efforts to show progress against malaria, and in particularly to show progress in developing a vaccine for malaria, which is a very difficult scientific challenge that scientists have been struggling with for 25 years. Gates has spent $1.5 billion on malaria, and $20 million on the vaccine alone. And in this story, the theme is also clearly one of optimism, as in the title of this fall’s Gates malaria forum, “Optimism and Urgency.” Optimism may have a place in advocacy, but I see a serious risk that the requirement for optimism is allowed to affect the publishing of scientific data about vaccine trials. At the forum, Gates announced the vaccine, developed with GlaxoSmithKline. But since then, some major concerns have been raised by experts in the field about the incomplete nature of the results, the efficacy of the drug, and whether the drug will be cost-effective enough to ever be used. This story, while not conclusive, leads me to wonder whether there is enough of a firewall between data collection, scientific analysis, and advocacy at the Gates Foundation.

The foundation talks about the importance of having a culture of learning, but what this outsider is willing to venture is that what may be required is not just a culture of learning, but a culture of debate and a culture of dissent from top to bottom in the organization. At the top, this might mean having a fully-developed board of directors, including knowledgeable outsiders and people that represent diverse viewpoints about what works in development, and who aren’t afraid to challenge the funder.

Throughout the organization, this might mean creating open and robust channels for dissent regarding scientific opinions and grantmaking decisions and generally valuing diverse viewpoints. It might mean committing not only to conduct third-party evaluations, but seeking to isolate them from political capture, and a commitment to share them publically. At the bottom it
might mean getting really creative about beneficiary feedback and input into the decision-making process. It might also mean a strategy of radical transparency where everything is published on its website, including failures. A few brave foundations and NGOs are challenging the culture of secrecy and fear about admitting failure, and it would be fantastic if Gates would join in that pioneering movement.

I think that most of these challenges of governance, accountability, and technology bias that I’ve talked about, and I’m sure my fellow panelists will also address, are generally acknowledged to exist at some level. So perhaps the most useful thing to do at this point is to pose some questions about what comes next. What will it take for Gates to be able to overcome those challenges? Does the imperative to get grant money out the door distort the incentives that it will be difficult to instill a true culture of learning, evaluation, and where necessary, dissent among the rank and file who carry out the work? Is the technology bias so ingrained that they won’t be able to see past it and see failure when it happens? Is it possible to engage in a concerted advocacy strategy that still leaves room for dissent and debate? Thank you.

TIMOTHY OGDEN: Thanks, Laura. As Ed is coming up, one quick thought tying this all together is that the Gates Foundation has followed much of the standard advice to new philanthropists that exists in the sector, including focusing on some priority areas and using all of your channels of influence. What that has translated into for Gates is a tremendous platform, what Donald Rumsfeld might have called total battlefield dominance, or information dominance, or something along those lines.

There is something that Laura and Alanna wrote that I just want to read here for you to think about. In their article they write, “It is not inconceivable that you might find yourself some day reading a story about a Gates-funded health project, written up in a newspaper that gets its health coverage underwritten by Gates, reported by a journalist who attended a Gates-funded journalism training program, citing data collected and analyzed by scientists with grants from Gates.” On the one hand, that is a tremendous strategy for achieving your goals. On the other hand, it’s a worrisome strategy for achieving your goals. So with that, let me let Ed talk about his belief that Gates is different in every way, not just in its money.

EDWARD SKLOOT: Thank you Tim. I appreciate very much being here. I know many of you from earlier years. I know Bill very well. The last time we worked together was, I think, in the Coolidge administration. [LAUGHTER] And we had some good, close relationships there. Thank you to Darin for being here and representing Gates, and thank you to Laura and Tim.

You’ve read what I wrote in Alliance Magazine, so I don’t want to go over it again. My effort was to try to say, as Tim noted, that there is something very different here that we have to understand. And since we have not lived with this, if you will, gorilla in the room, as the cover of the magazine points out, we are making our way as we go.

I am really going to talk to two things. The second one Laura has well articulated, about concerns, and I’ll go over them fairly quickly. I want to begin with the thing that brings us together, which is trying to figure out what the impact of this behemoth in our philanthropic world really is, or is going to be. It has put out over $25 billion since 1994. The largest field of
work has been in global public health, where probably about 60 percent of the dollars that the foundation has put out have gone into that focus. So as you can see, this is not small potatoes. And it has had very, very major ramifications where it has decided to work.

You have seen the numbers. In the areas that Gates has chosen to work, it’s ubiquitous. In the world of philanthropy that we live in, everybody talks about it. In fact, I’d argue that the Gates Foundation should be very happy that it is being talked about. This is, in part, I think, a strategy, or it should be, that demonstrates its soft power in the world of policymaking, where it has an undercurrent of influence within the dialogue itself. And this soft power is important when looking at this as a political analysis rather than a technological one.

But I have got an important question for all of us, I think. And that’s that many of us over 20 years, 30 years, as long as we’ve been around, have acknowledged that our own field of philanthropy has long been an underachiever. The latest book by Tom Tierney and Joe Fleischman, *Give Smart*, talks about this, and so does just about every other major book. While the field of philanthropy celebrates bold acts of success in various ways, the green revolution, the 911 emergency telephone, or connections with major agencies to respond, and so on, there is a pervasive sense within philanthropy that the whole never equals the sum of its parts. That is for another speech, but it’s worth noting here on the check board.

Now we have got a palpable sense that philanthropy is feeling concerned about Gates. And I would like to argue that Gates may actually be the model that we have all been looking for for so many years, and the model that we’ve been talking about. Where it is that we can, as philanthropists or people who work in philanthropy, make our energy felt. And I’m going to go through a few points to try to clarify that, and it’s worth using it as a backdrop, I think, to our further conversation.

First, obviously, Gates has a vast amount of money. The money is so big that it is on an unstoppable path. You can’t stop it from putting its money out in the way that it chooses. And it also does it in a focused and thematic way, something that many of our colleagues in the world of philanthropy don’t do. We tend to be pretty sloppy, our guidelines meander from one side of the street to the other, and so in that particular case, I would say that that is a big plus on their side.

Second, the Gates Foundation is a relentless advocate. If I have my numbers right, $75 million last year was spent in the field of advocacy with regard to its views on education and its work on education alone. Our foundations rarely do advocacy. They pay their grantees to advocate for them. Gates has a huge presence in Washington, 50 to 75 people. It lobbies and advocates constantly. Its political ear is always very close to the ground, both nationally and globally, and I should say locally too, when necessary. So it covers that base as well.

Third, the Gates Foundation uses media constantly and informatively when it chooses. The annual letters by Bill are really very instructive and informative. They have a very active website that is constantly being added to. They are using both old and new media. Cultivating coverage is very much a part of its activity. Many of the foundations that we deal with would not know what a newsroom looked like if they were in one.
Fourth, its founders are both ubiquitous and savvy. They are deeply knowledgeable about the fields they work in and keep calling attention to them. They speak without artifice or obfuscation, and they are very publicly associated with what they do. As we scan the horizon of the world that we work in, this is certainly a minority perspective and a minority place in the world of philanthropy.

Fifth, although we may be critical of the kinds of collaboration that they do, and I can be, they do collaborate. And not in the way that most funders tend to do, here or there, we’ll put our million dollars in the pot, maybe we won’t, and so on. They work at the very highest levels of public and private sector activity. They work with international NGOs. They work with corporations in some of the most extraordinary ways, in moving the marketplace so that, for example, vaccines become available at the right price and the right place; great efforts on that score. They arrange for joint ventures to happen when they would not normally do it, and they work, say in the educational field, with other major foundations as well.

Sixth, and now we’re getting to the nitty-gritty that people talk about all the time, they make very long-term bets. Gates has been around in the vaccine and the educational world, the two broad places where they put their money, for quite some time. They don’t do one-shot gigs. The average grant length is a year, maybe two at the most. Not so here. And you add to that mission clarity, which I would argue is fairly true, and a very serious taste for metrics. Now, metrics is one of the newer buzz words in our field, but one that has not penetrated very deeply in a lot of places.

Finally, they know how to leverage their money with other governments and with other corporations. Bill Gates, and Melinda too I suspect, absolutely understand what they want. They want impact. He is reaching for scale, and he is constantly trying to scale up the activities that they do with regard to vaccine research and development, and then utilization and so forth.

So here we have a little model—focused guidelines, advocacy, high use of media, funders who are very public in what they believe, collaboration with the private sector and with government, in the game for the long haul, measurement and metrics being a commonplace factor, and the understanding of how you find and use leverage to create impact and scale. If I were to draw on a butcher block pad the kinds of things that all of us have been talking about for a very long time, then I would say that that comes pretty close to the idea. I am not, by the way, white-washing, or any-washing the Gates Foundation. What I am saying is that the things that we have said, we must get our act together to do better and more, there is at least one actor on this playing field that has taken much of this advice seriously and that is parlaying it throughout the philanthropic world.

This is precisely the model, as I said, that we’ve argued for for years, and no other foundation comes close. Now that the working model of what we’ve long awaited is here, some of us feel concerned, scared a little bit, and uncertain. We’re not exactly sure about what is going to happen. This, I think, is really very interesting, and part of the things that we should be talking about is not just negative cases of things that have happened badly.
So ask the question then, does this make sense? If we could come close to actually eradicating AIDS, malaria, river blindness, which we’ve come fairly close to, measles, childhood diarrhea, a major killer in the developing world, and so forth, and in the process save millions of lives, families, and communities, is it remotely possible that we could not thank the Gates Foundation for pulling that miracle off? Their value proposition is very powerful. If we could improve public education to a respectable 21st century level with the Gates Foundation as a driver of change, not the only one, but as a driver of change, should we not applaud that result? So I say on this side of the ledger, there is an enormous amount to be attentive to and thankful for. Now, you can then ask, well, do the ends justify the means? If you don’t like what Gates is doing or how it is doing it or many other serious questions that come up, underneath the big headline, do the ends justify the means? Is that a fair question to ask? I think it may well be, perhaps not right now, but in the future. But I do think that we have to understand the means very, very well, and how they are being used.

Nothing on this scale, this uniqueness, this boldness, has ever been done before. We have got what our fervid imaginations have dreamed of for a century. And though there have been mistakes and there will be bigger mistakes, I’m certain, we could ask the question, so what? I’ll leave that just right where it is.

Okay, are there reasons to be concerned? Absolutely. Let me just mention three or four. Laura has done a superb job in articulating them already. I’ll go through them briefly because I think they ultimately will tell whether the foundation, over the next several years, is going to be moving in a way that is impressive in its outcomes or not. Which is to say, will we be happy with a B or B+, or should we be going for the A+, and if so, how?

One way I look at this, to begin, is to notice how much private sector terminology comes into my head when I think about the Gates Foundation. Words like market-maker, monopolist, oligopolist, board-governance problemmaker; I don’t know how I would say it, command and control, interlocking directorates, even creative destruction. I have a feeling that when I embrace the mission and model of Gates, I leave behind the culture and the ground rules of the social sector and enter a very different domain of perception and of action. They tend to look at things from a private sector Microsoft model, a way that we in the social sector do not. And we have got to be clear whether that is bad or just different. I think one could argue the case in both ways, though I would tend be on the more different side.

The markers I use to frame my understanding of the Gates Foundation and how it operates naturally highlight differences and not similarities or parallels. At a minimum this is disorienting and makes us cautious, and we have to be careful about our use of language. I would say that if there were a phrase, it seems to me, that describes what I think is going on I would call it, “brass-knuckle philanthropy.” This, to me, feels like how the Gates Foundation plays. Now, I am not an insider. I know nothing more than what I read in the newspapers. And yet, it seems to me that when they play, they play hard and for keeps, and that part is part of the inbred culture of a Microsoft corporation.

So why not give it a big thumbs-up? Here are three concerns. The first is accountability. A friend of mine, a long-term watcher and participant in this field, calls Gates a private government. The
foundation has chosen its paths, and there are few if any constraints on its behavior. Now, let me add that in the foundation world there are also very few constraints on foundation behavior generally. It need not consult with anyone in pursuit of its goals. If it errs, it will not be pushed back or punished. It controls the pipeline of policy, advocacy, and promotion, and the use of information. It draws its own conclusions, say, on small-school establishment on which it spent $2 billion, or joint ventures of various kinds, readiness to graduate and what that readiness means, etc. What if it’s wrong? What if the choices it makes are in the wrong place? How will we be accountable to it, and they be accountable to us? And what are the incentives for being accountable?

My second concern has to do with transparency. Though we have only a little more than a decade and a half to go on, it is not clear how well the foundation itself is doing its job. Particularly in the field of vaccines, here is a case where its power can make or break a field by pouring so much money and media into its preferred choices that it can effectively dismiss competitors and make financing very hard to accomplish. This is part of the brass-knuckle philanthropy model. I don’t know whether Gates executes it well. It did not on small schools; it has really just begun on sub-Saharan agriculture and on community college work. It seems to be on a superb trajectory regarding tropical disease eradication, though I’m not sure.

The thing we should be concerned about is that the foundation has tight control over its research, analysis, metrics of success, and reasons for action. Generally Gates, just like most foundations, is not much of a sharer. The differences here are that the stakes are really high. There is a lot that all of us could learn if the institution were just a little less opaque.

Third and related to transparency, I would connect collaboration and communication. With its grantees and with its partners, Gates seems poorly understood, according to the Center for Effective Philanthropy survey of its grantees. For all the information produced by the foundation, many of them are still confused and concerned about how the philanthropy works and works with them. The situation is not some grand secret that I discovered; the foundation admirably has publically acknowledged this problem itself. But it seems to me a matter of concern when this problem has been acknowledged in the last four annual reports of the Gates Foundation and it still hasn’t fixed it. So hopefully the work is being done there.

So in sum, I think this account that I’ve put forward to you is all too brief. It certainly skims the surface. I wish I knew more and I don’t. That’s a lifetime of work to figure out what is going on behind the curtain. But it must be said that our foundation colleagues do not do very well at accountability, at transparency, at collaboration, or communication either. So by no means is Gates flying solo. So what? That is a subject I’m going to have to discuss later. Thank you.

TIMOTHY OGDEN: Ed, your Gates number?

EDWARD SKLOOT: 708. [LAUGHTER]

TIMOTHY OGDEN: Just a quick note for us to focus on later, one of the things that Ed noted is that Gates may have become the first institution that can actually influence the behavior of other foundations.
EDWARD SKLOOT: Absolutely.

TIMOTHY OGDEN: That being said, it does have a board that looks like the poster child for the boogiemen that the National Committee for Responsive Philanthropy has been trying to convince the sector was a problem all along.

EDWARD SKLOOT: Right.

TIMOTHY OGDEN: So as Darin gets ready to speak, let me say that I wish for you all to have some pity on Darin. I wrote a piece last year for Stanford’s *Social Innovation Review*, noting that I believe foundation program officer is probably the most soul-destroying job available in the world. And he is probably one of the few people who has to parse what he says as closely as President Obama has to parse what he says about religion. So with that note, please give him every grace and recognize that there are things that he can say and things that he can’t.

DARIN MCKEEVER: So that was what you meant by, you were going to give me political cover?

TIMOTHY OGDEN: My attempt.

DARIN MCKEEVER: First off, I just want to get some housekeeping out of the way and thank the person who put together the name cards here. Who was that? Because you know, I was a little bit worried that when I chose not to wear my required, standard-issue gorilla suit uniform today, that someone might not recognize me as the representative of the Gates Foundation on this panel. [LAUGHTER] And by the way, Tim, kudos to you for ferreting out this little nugget that we all go around wearing gorilla outfits. Stacy Palmer, if you are listening, I hope you’re taking notes.

I also want to thank Bill Schambra, the Hudson Institute, and the Bradley Center for Philanthropy and Civic Renewal for organizing today’s forum. I have long admired Bill’s writing and his skilled facilitation of these events in the past. I’ve always enjoyed your appreciation for history, for balance, and for fairness. And on that note, when Bill invited me, he assured me that this would not be a gang-up-on-Gates session, so we’ll see whether my admiration for him is still well-placed.

I also want to thank *Alliance Magazine* and Tim for putting together the special issue to consider the role of the Gates Foundation in the philanthropic community. Despite the challenges that you and Caroline have told me about, I think you really assembled a great cadre of critical scholars, practitioners, and others. I think that there is much to praise about the issue. For those of you that are not subscribers, I do recommend that you go out and subscribe. And Caroline, maybe I can get a discount on the subscription just by saying that. [LAUGHTER]

In any case, as many have said before, it is often hard to get honest feedback and critical evaluations of our work, or of any foundation’s work. So we really do welcome the feedback and these ongoing conversations. Whenever foundations and philanthropists become the subject of
public scrutiny and critique, one of the phrases that I often hear in those circumstances is, ‘No good deed goes unpunished.’ I really think it’s unfortunate because I don’t think we should be equating the scrutinized good deed with a punished one. And so my personal view is that this kind of scrutiny and critical dialogue is critical to making the next good deed even better.

I want to keep my opening comments brief, as I think there will be more to learn from the dialogue and from some of your questions and conversations. But just some comments first to perhaps ground us. There has been a lot of talk about the work of the foundation, but I want to start by saying, for those of you that are not familiar with all the workings of the foundation, how critically important Bill and Melinda’s personal belief that all lives, regardless of where they are lived, have equal value. That is central to our mission. It is in our DNA and it is with this belief that we carry forward a certain implied orientation toward tackling inequities around the world. It is truly deeply ingrained in our organization’s DNA.

Now, guided by that fundamental belief, we seek to help all people lead healthy, productive lives. In developing countries, we focus on improving people’s health and giving them the chance to lift themselves out of hunger and extreme poverty. Here in the United States, as people have mentioned, we seek to ensure that all people, especially those with the fewest resources, have access to the opportunities that they need to succeed in school and in life, and that includes a quality public education.

At this end of September, our endowment stood at about $33.5 billion, according to our website. And in 2010, our grant payments totaled $2.6 billion, roughly half of which went toward global health, a quarter to US education and a quarter to our global development work, which includes work on agriculture, sanitation, and on financial services for the poor.

Now, the second point I wanted to make is that I really do think that the issue highlights some of the distinctive features of our approach to philanthropy, much of which have been reinforced by our panelists today. First, since the world’s challenges are always going to outstrip even our significant resources, which are limited, we do focus. We focus on a small number of strategies and giving areas, prioritizing ones that we particularly believe have not been getting sufficient attention elsewhere. In these areas, as Ed said, we take risks and make big bets. We are in it for the long haul.

We also do try to apply the full range of our assets to advance our work. So that does mean not simply making grants, but also making program-related investments. Not just looking at our endowment as a source of our assets, but also looking at our knowledge and the information that we collect and help generate, and trying to share that. And it also does mean, as many of the panelists said, engaging in advocacy and funding it.

I appreciated Laura’s comment about optimism being sort of a thread that is weaved throughout our organization’s work, because it is one of our core values that we are working on as an organization. I think it is in Bill and Melinda’s spirit and DNA that they are optimistic that despite the challenges around the world, and there are many, that we can go about tackling these things. And not only can we go about tackling these things, but this optimism, this sense of hope
is critically important to do so, because it generates the attention, the awareness, and the
motivation to carry forward very difficult work.

I also appreciated Ed’s comment about collaboration being core to our work. I’d say that we do a
good job, and we are trying to get better at our collaboration. But that also is a core value that we
are working on.

Now, I do want to address what came up in the issue and what has come up a number of times in
the panel’s comments. We are not blind to the fact that we are big. We are big. But we’re not so
big, so as to be unprecedented. This is where Bill, I always appreciate you coming out with a
historical analog here. And I have one of my own, which is that we actually checked with the
Foundation Center on some of these figures, and I want to just read this carefully because I don’t
like to be misquoted here.

But adjusted for inflation, “the Gates Foundation’s assets in 2010 were over 50 percent larger
than the size of the Ford Foundation’s assets 50 years ago. Nonetheless, in 1960 the Ford
Foundation’s assets represented more than twice the share of U.S. GDP, compared to the Gates
Foundation in 2010.” So for those of you that don’t speak in terms of GDP, or an economist, the
Ford Foundation was basically twice as large within our economy as the Gates Foundation is
today. Similarly, adjusted for inflation, the Gates Foundation’s giving in 2010 was double the
Ford Foundation’s in 1962. But the Ford Foundation’s giving represented a two-thirds larger
share of U.S. GDP compared to the Gates Foundation in 2010.

I raised these facts not at all to be argumentative. I just want to place our size, as Bill tried to do
in his opening comments, in some historical context. We have been here before, to some degree,
so that many of these same questions around influence and accountability that we are talking
about today have dogged earlier foundations.

Now, lastly, I just want to say, we do remain a dynamic institution. There are two areas that we
are working very hard on, and our CEO Jeff Raikes speaks about this quite a bit. First, we are
concentrating a lot of energy on building strong relationships with grantees and other partners.
Ed is right, we’ve used the Center for Effective Philanthropy’s grantee perception report too, I
believe it was late 2009, to survey all the grantees. We’re going to be doing that again I believe
in early 2013.

And the results, frankly, from 2009 were disappointing for those of us who want to think that we
have great relationships with all of our grantees. But it pointed out some areas that we have some
work to do. We do truly believe that we can be most effective when our grantees are successful.
And part of what helps grantees be successful is when we are transparent about how we work
and how we engage others to help develop and refine our work. I think we are working hard,
even in the midst of having an optimistic view about the future and our ability to tackle
problems, to acknowledge when we don’t have all the answers or when results differ from what
we expected.

Finally, we are looking for ways to invite and stimulate fresh thinking, critical feedback, and
spirited dialogue, both within and permeating throughout our walls. Frankly, we can benefit from
the wisdom that lies outside of our foundation’s walls. So it is in that spirit that I again thank
Tim, Caroline, Alliance Magazine, and also Bill, the Hudson Institute, and the Bradley Center for
giving us all a reason to be here. Thank you.

WILLIAM SCHAMBRA: As is my custom, I will now stir the pot a bit before we turn to Q&A
from the audience. Ed’s comments about the degree to which Gates is practicing what all of us
have talked about as model practices for foundations is striking. In other words, they are not
doing anything other than what every expert would have told them to do.

Described one way, it comes out the way Ed says it. Described another way, it sounds like what
Laura said – research produced by a foundation, written up by someone supported by that
foundation, and evaluated by that foundation. But that is exactly how you get this focused, highly
mission-specific project underway. They are just doing what we always said foundations should
do. Am I wrong about that? In other words, Laura, you and Ed described exactly the same
practice, but Laura’s description made it sound dangerously monopolistic, and Ed’s made it
sound like best practices in philanthropy.

LAURA FRESCHI: Even though what I said was mostly critical, maybe there is a way in which
it is also very hopeful. Because I do acknowledge all of the ways in which Gates is engaging in
these best practices and the ways in which they are focused and nimble, and they are in it for the
long run.

Then I sort of say, why stop there? If they are the smartest guys and women in the room, then
why not also have them tackle the really fundamental challenges that maybe best practice and
philanthropy has not been able to tell us how to tackle. These very intractable problems, and if
anyone can really tackle those problems, maybe it’s Gates. So I hope that my comments are
taken in the spirit of, with great power comes great responsibility. And in the hope that they can
take on these difficult issues as well.

EDWARD SKLOOT: I agree with Laura, and I think that this comes under the rubric of, be
careful what you wish for. People talk about it a lot. They have made this the paradigm of where
we all are going to wind up, and lo and behold, some of us have come pretty close to getting near
there. The frame that I was discussing is important just to situate properly, because we’re in a
different world. I think of 15 or 20 years ago, the longing for some trappings of these things that
I’ve highlighted as being very effective now need some tempering, just like you have to beat the
metal a little bit more to be sharper and to be better at what you can do.

And I do believe that each of these practices, when taken together at the scale of what the
foundation has in its coffers, does make it really quite different. So if this were a $350 million
foundation using many of the same techniques in Cincinnati or Toledo or Denver, we might sit
around and say, ‘Hey, they’re real cool. How many more of us can act like that?’ Or I think very
much of Rip Rapson and the Kresge Foundation in Detroit. He is a very close friend and a person
who I deeply admire for the quality of the thought and work that the Kresge Foundation has been
doing in and around Detroit, and still they can’t move Detroit. Or, they can and have been, but
there is a lot to go.
So what I’m saying is that, on top of all of these attributes, there is the sense that because of its footprint being as big as it is, there are also dangers; provisos that you have to be careful about. And we have to be smart enough to acknowledge what they are so that we can do even better than we have done before.

WILLIAM SCHAMBRA: Tim, you highlighted that paragraph in Laura’s article, which also struck me as really bringing home the magnitude of the problem, if it is a problem.

TIMOTHY OGDEN: Yes, a lot of the discussion about the problems of philanthropy was the inability to carry the ball over the goal line. That so many foundations just start and then wait for someone else to take it further. And Gates is fairly uniquely actually making the ball, building the team, and getting it across the goal line. It’s an admirable thing.

WILLIAM SCHAMBRA: Paying the referees. [LAUGHTER]

TIMOTHY OGDEN: Hiring the referees, creating the commissioner’s office, funding the instant replay. But I think the one set of thinking here that applies to this and the ups and downs of it, is The Innovator’s Dilemma, the book by Clayton Christenson, which shows that many of the behaviors that generate the creative destruction of organizations that allows them to ascend to the top of their industry are the exact same behaviors that allow them to be creatively destroyed on the back end. So these courses of action are absolutely necessary for the living out of the optimism of the foundation, but they also inherently carry some dangers of ultimately handicapping the achievement of those goals at the same time.

Can I interject here a slightly different question?

WILLIAM SCHAMBRA: Sure, please.

TIMOTHY OGDEN: This open question is what started to motivate the issue, which is what impact is Gates having? So how many people in the room have written a grant application? How many of you would agree that the process of writing a grant application is convincing a foundation that the thing you were already going to do fits under their description? So in this case, there is an argument to be made that Gates really doesn’t make that much difference. It is a bunch of people just having one place to write a grant foundation to; to convince them that they’re doing the same thing that they always wanted to do.

So where have you seen the Gates Foundation actually have an impact? I’m going to take the liberty here of actually calling out David Roodman, who is in the audience from the Center for Global Development. He is just finishing up an excellent book on microfinance called Due Diligence, so he has been looking at this too in that context. So Darin, Ed, Laura, a place where you have seen the Gates Foundation have an impact, and David, I ask for your quick comments on what influence the Gates Foundation has or hasn’t had on microfinance.

DARIN MCKEEVER: I can begin just by offering a few different examples, or perhaps just one would be instructive. I think one of the things that we are most especially proud of is the work that we have done around vaccines, where we have not only set up institutions like GAVI and the
Global Fund, but also seen that work carried forward with the help of a number of collaborators which have truly saved tens of millions of lives around the world. So I think there is always a problem of attribution in philanthropy.

I don’t want to necessarily overstate our contribution. But I think a good argument could be made that, but for the Gates Foundation’s creation 10 or 11 years ago, that I’m not sure that that work would have happened, or would have happened quite as fast. So I just hold that up as an excellent example of the kind of impact that we can have.

Now there have been a lot of disappointments along the way, a lot of lessons learned, and there are adjustments that even in something that is perhaps a success like that could learn from. But I do think that that is one thing that when we look 50 years or 100 years from now, will be especially excited that Gates Foundation got involved with.

EDWARD SKLOOT: Let me take an offshoot of that, but it really actually stands on its own, too. I think an enormous positive on the side of Gates is the capacity of Bill particularly, and I haven’t been in the rooms for these conversations, to convince the private sector, and particularly big pharmaceuticals and big agriculture to actually play in the world of development economics and in the world of public health.

The Gates Foundation has made it possible so that orphan vaccines, or the development of vaccines that would have not been economically or possibly even intellectually feasible have been funded, provoked, nudged across the line so that major pharmaceutical companies, not only the established folks, but also the generics and also the folks in the developing world who have their own corporations, can participate in the manufacture, distribution and sales at a price that the poor can afford. That for me is historic in terms of turning around the way we have had our mind focused generally on the assumption that the poor are going to stay that way and most of them will die. And if there is anything, I think, that is truly historic, it is changing the mindset and therefore the behavior that people have had around that subject.

LAURA FRESCHI: I’m afraid my answer isn’t terribly different. I’ve absolutely been convinced that the scientific community has been totally reinvigorated by this very large, significant amount of new funding that has incentivized scientists to do all kinds of research around health problems that affect the poor. I was just seeing progress with the rotavirus vaccine against childhood diarrhea that has shown a lot of improvements in South America. And just that kind of research, developing a vaccine and being able to deliver it, you see a lot of success stories like this.

I don’t think it is entirely the case that all of these organizations are just doing the kind of work that they wanted to do anyway. I mean, you see this agenda-setting ability with the malaria eradication example. You see organizations changing what they were doing, sometimes for better and for worse, as they’ve argued, but I think impact is undeniable.

DAVID ROODMAN: In the area of financial services for the poor, which in Darin’s accounting was sort of in the other category compared to US education and health, it is rather small.
DARIN MCKEEVER: It is part of our global development program, which represents about 25 percent of our spending, same as our U.S. programs.

DAVID ROODMAN: Okay, so it is a relatively small program, I suppose. But I think in that area, the foundation’s influence has been quite salutary, and I’ll just say why I think that has happened. One reason is that in microfinance, microcredit in particular, Gates is still a relatively small player in certain metrics. There is a lot of money going in from everybody from the World Bank to people who use Kiva.org, amounting to billions. So relative to that, Gates is still small. It hasn’t taken on monopolistic power. However, it is still very influential in terms of shaping and influencing programmatic work going forward, new ideas.

Another reason I think it’s been healthy is that the sector was sort of driven and dominated by a kind of hype about microcredit as an escape from poverty. And the Gates Foundation brought in smart people who were open-minded, some of the wisest people in the business, and understood that the reality was more complicated. So they were able to bring in a more diverse set of approaches based on their understanding.

It is also an area where technology really is promising, and it hasn’t been overemphasized historically. The Grameen credit model is low-tech, and there really are reasons to be optimistic that technology will change the options. As a result, they really have changed what people talk about in the sector. It’s no longer so credit-dominated. There is a lot more talk about offering savings and insurance, and a recognition that there is such a thing as too much credit.

The Gates Foundation has also been, I think, ecumenical about the approaches to credit. We can have credit cooperatives, microcredit organizations, traditional savings banks, and many other approaches. And so overall, I would say it’s done well.

WILLIAM SCHAMBRA: When is your book coming out? You’ve posted your chapters on your blog site and I’ve really enjoyed that. It’s a great, really good stuff. When’s it coming out?

DAVID ROODMAN: I’m glad to hear it. The book should be out on January 5th, very soon. [David Roodman’s blog - http://blogs.cgdev.org/open_book/]

WILLIAM SCHAMBRA: Well, let’s talk about doing a panel on microfinance around it.

DAVID ROODMAN: I would love to.

WILLIAM SCHAMBRA: Good, excellent.

TIMOTHY OGDEN: One of the things that is interesting to me that isn’t brought up when we talk about the influence of the Gates Foundation is that it is a spend-down foundation. And the reason Gates is so big in relation to its peers is not because it is actually quite that big, it is because it has made a conscious and voluntary decision to spend much faster. You can argue whether the Buffet gift is actually voluntary, but presumably Bill and Warren had a conversation about that before they made the choice. But as a whole, the foundation is vastly different from the majority of other foundations in terms of its effort to spend all of this money quickly.
EDWARD SKLOOT: Tim, can I take issue with that?

TIMOTHY OGDEN: No, in just a moment. The other piece is to note that in these things that are changing, I don’t think enough gets made of the fact that the Rockefeller Foundation was the torch carrier in global health until Gates came along, and seriously considered abandoning the field entirely, simply because Gates was there and Gates was so much bigger that they would just move on and do other things. So there are these things that change that go along with it.

I think as David points out, the influence side in the finance community has been pretty exemplary in that regard. But it is interesting that that piece contrasts so strongly with the optimism that people have criticized in the global health side of just relentless happiness, everything is great, we’re going to do this, versus the approach they brought on the finance side which is, we’re just not sure if this works. Let’s actually go find evidence whether it works or not before we do much more. So please now, Ed, take issue with my comments --

EDWARD SKLOOT: Sure. I just wanted to make this point. I think that making that that point is not only false, but a liability to the foundation.

TIMOTHY OGDEN: Which point?

EDWARD SKLOOT: The case that it is a spend-down foundation. The terms of the gift from Warren Buffett and of the agreement that has been made is that it will be a spend-down foundation when the last current member of the board, and there are really three, dies. And if we assume that Melinda, who is in her mid late-40s lives for another 40 years, and it is 50 years after the death of the last survivor, now we’re edging close to 90 to 100 years. In the realm of normal thinking, I can’t imagine that that would be considered a spend-down foundation.

It also spends at roughly the rate of 5 percent, so there is no indication that the attributes of the spend-down foundation are characteristic of what the Gates Foundation does. This is not meant to be critical of them. It’s meant to say that we need to be clear about the words we use and the implications of the words we use. And it probably doesn’t make a difference that they’re called spend-down or not.

DARIN MCKEEVER: If I could just jump in here. You know, I prepared for this panel for all manner of debates and arguments, but I actually didn’t anticipate a debate around whether or not we are a spend-down foundation.

EDWARD SKLOOT: Or it doesn’t maybe make a difference.

DARIN MCKEEVER: I understand your point, Ed, in terms of whether or not, practically speaking, for those of us, if we will still be around. But I do think that there is a difference between a foundation whose charter says that it is going to shut down, versus a foundation with a charter instrument saying that it will exist in perpetuity.
Also, the terms of our payout are determined both by our regulatory requirements in terms of 5 percent, but we do exceed that, in part because of the agreement that we have with Warren Buffett, and the conditions by which his contributions need to be spent in the year that they are given, and further, when he passes, and hopefully that’s many years from now, upon his death, when the corpus of money is transferred, then that too needs to be spent out within a certain time frame. I believe it is 10 years or so. So I just wanted to correct that.

TIMOTHY OGDEN: One other quick note about that, too, because I do agree with Ed, it is very important for us to think about this, but to give you a sense of how different it is, the Carnegie Corporation, which has just passed its 100th birthday, has not yet spent the inflation-adjusted value of its founding gift. So the Gates Foundation will be gone before the Carnegie Foundation spends the value of what it was originally given, roughly 200 years before Gates hits that point.

WILLIAM SCHAMBRA: So Darin, I’m curious, you prepared all possible questions, so tell me what the most feared question was, and then you can give us your response. I’d love it.

[LAUGHTER]

DARIN MCKEEVER: So let me actually just tag in; Jacob Harold, who is a good friend of mine, has said that foundations are the most unaccountable institutions. I think he was saying it both admiringly, that they are unaccountable, but also with a tinge of concern perhaps. For those of you not familiar with the rules of foundations, I think it is helpful to remind people of what it means to be accountable as a private foundation in the U.S., because it is not simply me saying to Bill, ‘This is how I spent my money,’ and Bill saying, ‘Yeah, that sounds like a good idea.’ There are rules, many of which that were laid out back in 1969. Private foundations are required to spend out a certain percentage of their corpus.

Second, we are required to file annual returns, which in the case of private foundations, we need to list every investment and grant that we made. So I think in this time, particularly when social media allows for the conversations about open data, I think our understanding of accountability, particularly for institutions like private foundations, will be changing over time. But I do think it’s important to note that it’s not that we can spend Bill’s money in any which way that meets his approval. There are very important rules, starting with who we can actually fund.

WILLIAM SCHAMBRA: Okay, time for Q&A from the audience, and please state your name and affiliation. Why don’t we go to my friend Sue Hoechstetter there in the back?

TIMOTHY OGDEN: And don’t forget your Gates number.

SUSAN HOECHSTETTER: Thank you. My Gates number is probably two. And thank you to Bill and Tim for a very well-balanced program. A clarification and then a question. Clarification for the benefit of those of us in the audience, when Ed talked about Gates, and Darin’s nodding his head, lobbying in Washington, of course I think you were talking informally and not about the under the legal role, and of course private foundations don’t lobby. Just wanted to clarify.

My question is about donor versus grantee direction. The reason I want to ask Gates about this is because of the leadership role that your foundation plays, Darin, and how you influence other
funders. This is an issue, I think, for all of us watching this sector. This question about how much of the funding comes from the funder’s direction versus the people being affected, and where the input comes from the grantees and the constituencies they represent.

So let me just be a little clearer with an example. When you go into a community or a state with education funding in the United States and you’ve looked at, as Laura talked about, the data and what might be a good idea, how do you make your decisions based on what the organizations in the community want and what you have decided would be good policy change? Could you talk about that interaction?

DARIN MCKEEVER: I mentioned in my opening remarks that we focus on a small set of strategies, and I think it would be helpful to talk a bit about the strategy process. This is not at the level of grantmaking decisions yet, and hopefully by the time I finish my comments I will have answered your question, Sue.

So we have approximately 25 co-chair-approved strategies. Each of those strategies typically is a working theory of change and theory of action that is expected to last over three to five years. The way that the strategy is initially developed is that there may be sort of a kernel of an idea. ‘Hey, we should tackle financial services for the poor.’ Or even broader. ‘You know what? We think that one of the challenges of the poor is how to finance or fund their lives.’ We go about looking at what other funders are doing and what knowledge grantees have shared about what is working. I’ve been at the foundation now for about three and a half years, and I would say that that has always been a part of what we did.

What Jeff Raikes, our CEO, has done over the last few years is formalize the way that input is received. So in addition to the advisory boards we set up that Laura mentioned, now each of the strategies when they are developed, and even when they are refreshed every couple of years or so, there is a formal role where we seek input from grantees and outside experts. We then make adjustments along the way.

Now, you were asking at a very sort of tactical level. Okay, when you go into a city or a state and when you’re working with a grantee, how much do you say, you need to do X, versus the grantee saying, you need to fund Y? And I would say that there is a negotiation process and that there aren’t hard and fast rules governing it. It shouldn’t be the funder always saying what the grantee should do, or the grantee always saying what the funder should fund. We talk about the science of grantmaking or the science of philanthropy, but that is part of the art of being a good program officer at a foundation.

I’m looking out in the audience, and Shirley Marcus Allen from Venture Philanthropy Partners is somebody who I had the privilege of working with when I ran a nonprofit myself here in D.C. And you know, there was a sort of back and forth. Ideally you set up that dynamic from the start.

Now not every relationship needs to have a dynamic quite like that. What we have actually been doing is looking across our portfolios and figuring out the grantees where, for a number of reasons, we are just going to cut a check and wish them success and maybe check in on them from time to time. And where are there grantees where we are going to have a much more hands-
on, brass-knuckle, hands-on approach to the relationship? So it really does vary, but it starts from understanding what grantees capabilities are and what their perspectives are on the strategy for achieving success and impact.

WILLIAM SCHAMBRA: Yes, I think Sue’s question, it sounds tactical, but in a way there is a very broad question about democratic accountability and going into a community. If you’re the Gates Foundation, and it isn’t just Gates, it necessarily transforms people’s understanding of their own needs when it come into a community. They begin to redefine what they need in terms of what the Gates Foundation is going to fund. We saw it in Milwaukee during the small schools episode, when all the funders in Milwaukee suddenly decided that small high schools was the absolutely brilliant solution to their problem, and of course it didn’t turn out that way.

It goes to this sort of joking point I was making about, Ed, the tension between strategic philanthropy and civil society. And it’s not a Gates problem; it’s a problem with the larger philanthropic community any time that they are in that position of power.

DARIN MCKEEVER: Just one very quick comment. For those of you that can get access to the magazine, I encourage you to take a look at the Q&A that Jeff Raikes did in the issue. There is a good question about crowding in versus crowding out. His attitude is that it is a good thing when foundations make conscious decisions about what areas they’re going to fund and what they’re not going to fund. That is the essence of strategy. And I think the more that we can be conscious about the decisions that we make and share how we came to those conclusions, I think the easier it will be for us to partner, or to decide quickly that we’re going to go different ways.

Q: My name is Ruth Lubic and I am a nurse midwife. I’m also a MacArthur Fellow, although my husband thinks I’m a girl. [LAUGHTER] It was a wonderful thing to get a MacArthur, and you don’t ever have to report it. I was a New Yorker at the time that I got it, but I’ve gotten to the point where we came to Washington to address the disparities amongst the African American people, and we’ve been very successful at reducing preterm birth, low birth weight, and cesarean section, and saving a lot of money while we do this through the mechanism of a freestanding birth center. But we also collaborate with social supports and early childhood development.

So we are trying to redefine the word ‘prenatal’ to include from before you’re pregnant, but hopefully preparing for your pregnancy, until the child is ready for school. And this means strengthening families and strengthening women, particularly, in the African American community. So we have been successful, but where do we go from here? When I’ve talked to the MacArthur Foundation they gave me the stipend for five years, and that’s it. And here it is 17 years later and I need some advice on how to take what we’ve learned and transfer that into the foundation community.

I am hoping that Darin or one of you can be helpful for this, because I have to be very honest and say that nurse midwives have three formidable enemies. We have organized medicine that really doesn’t want us. We have organized hospitals that with a freestanding birth center they are afraid that we’re going to strip birth out of the hospitals and we’re not intending to do that. Then we have the insurance industry. And we saved more money in 2006 than our operating budget, but
we only get half our charges from Medicaid Managed Care because, and they are just heartless when we talk to them.

TIMOTHY OGDEN: Can I --

RUTH LUCIB: Am I off-track there?

WILLIAM SCHAMBRA: No, no, no, it’s interesting --

TIMOTHY OGDEN: Let me, if I can, sort of reframe that into a slightly broader question and, Ed, ask you perhaps to answer this from your experience. I think Ruth is sort of pointing to this power issue that has been a longstanding question in philanthropy, which is how do you make grants without overwhelming the people on the receiving end? How do you maintain a strategy without surrendering control? How do you avoid the power problem? How does any foundation deal with this two-way communication without shutting off one of the spigots in the service of the other?

WILLIAM SCHAMBRA: And let me cast this into a larger question as well, and going to Laura’s earlier point, when you rely on state-of-the-art science and technology, you are in fact putting yourself in a well-defined track that can be quite narrow. I mean, we tend to think of scientific solutions as being, of course, the best; the thing that we really need to pursue. All the rest of it is magical thinking and dismissed as unconventional and unorthodox approaches. In a way, what you are suggesting is the difficulty of a purely scientific approach. Sorry, now we’ve loaded up these big questions. Why don’t you go back to the first big question here?

TIMOTHY OGDEN: That was to you, Ed, about the power problem.

EDWARD SKLOOT: You phrased the question properly, to me anyway. You’ve identified the pulls and tugs on both sides, the power imbalances, the rightful desire on the part of foundation program staff to hold to guidelines that they have worked so hard and thoughtfully to come to grips with. All the while, the environment is constantly shifting, just the healthcare issues in this country, by the year. So everything is always thrown up and started all over again, or you can’t move anything.

Sometimes you have to do your best with it, and I know this is a terrible answer. I’ve been a grantseeker for a good part of my professional life and I know how I feel when I’m on the other side of the line. Somehow one has to hope that the program people at the foundation and the board are sensitive enough to be aware of the environmental changes that are happening, so that they can alter their guidelines and their mental models enough to make things that weren’t relevant five years ago much more relevant today.

On the other hand, you have to also hope that grantseekers themselves, who come in cascades to the funders, can themselves be alert to what the foundation is prepared to do, so that they don’t get perpetually upset, hurt, whatever the right word is, and certainly frustrated. I have to say that these are the conundrums of philanthropic life, and I don’t expect to live to see a productive end to it.
DARIN MCKEEVER: Let me just compliment Ed. We were talking in the green room about this. Ed has this wonderful phrase that I love to throw out, and I always credit you, which is that “sometimes no is better than the indefinite maybe when it comes to negotiating grants.” I think that is a great rule that I and my team hope we live up to. I think that sometimes it can help cut through some of the dynamics, and it respects the people who are seeking grants.

Just very quickly (to Ruth Lubic), and I can’t do this for everybody in the room. I don’t know that your program or your successes would fit into our strategy, so this may be an immediate ‘no’, but there may be knowledge that you have that would be relevant for a maternal and child health program, and so I’d be happy to help get you connected with them. Thank you.

WILLIAM SCHAMBRA: Yes, Laura, this goes back to your concerns about taking a narrow technological approach.

LAURA FRESCHI: I have been thinking about innovation and technology and what it means. Gates has put quite a lot of money on the idea that innovation in various state-of-the-art technologies will have a big payoff; and I’m not denying that that is very important to fund. But I think it’s also interesting to think about the other side of innovation and technology, which is in the field. People who innovate in order to adapt and adopt technology, and how important it is to be able to really spur innovation on that side as well.

WILLIAM SCHAMBRA: Let me go to Caroline.

Q: Thank you so much. I’m Caroline Preston with the Chronicle of Philanthropy and this is a follow-up to Sue’s question on the topic of feedback loops. For Darin, I’m wondering two things – can you think of an example where somebody within the foundation or outside of the foundation brought feedback or criticism to Bill and Melinda that caused them to shift their approach and the foundation’s approach? And then also similarly, is there an example that comes to mind of somebody from outside the foundation, such as grantees, that brought feedback that prompted the foundation more generally to change its approach on a specific issue?

DARIN MCKEEVER: So I’m a little wary of answering your first question, since I’m obviously not privy to all the conversations that Bill, Melinda, Bill Sr. and Warren have about our strategies. But there is one thing that I would cite, which builds on Laura’s comments. We took a lot of criticism publicly and privately around what she referred to as a technological bias, or a focus on innovation in the upstream. As an institution, we always believed that in order for us to have the impact on child mortality rates, for example, that it wasn’t sufficient for us to simply come up with the vaccines or come up with the interventions, but that there would be downstream activity, and hopefully that there would be significant innovation in that downstream activity. I think there have been ongoing discussions about what the appropriate role is and what our core competencies are. And I think we will remain focused on the upstream technological innovations, in part because it’s what our core competency represents.

We recently hired Christopher Elias as the new president for our Global Development Program. He formerly led PATH, which is focused on upstream innovations, but has also worked widely
in developing context and understanding how those innovations actually get to the people who most desperately need them. Now that process is still underway, but I think that’s an area where we heard a lot of conversation about that topic, and we’ve made some adjustments.

WILLIAM SCHAMBRA: Good. This is Martin Wooster, who applauded earlier at the mention of a spend-down foundation, and not in an ironical or a critical way. He meant that as legitimate applause, because he likes spend-down foundations, right Martin?

MARTIN WOOSTER: Yes, I do. I’m Martin Wooster and I have no idea what my Gates number is. With Warren Buffett, has his money changed the priorities or the programs of the Gates Foundation at all? Or has it just made existing programs bigger? I spent a couple of days trying to find someone who could answer this question. I will give credit to Pablo Eisenberg for at least asking it. He couldn’t come up with an answer, and I’d love to know. Thank you.

DARIN MCKEEVER: So the creation of our Global Development Program immediately followed the announcement of Warren Buffett’s gift. I wasn’t around at the foundation to say whether or not those two events are connected, and having been steeped in sort of being careful about correlation equaling causation, I don’t want to hazard a guess. But Warren Buffett’s gift definitely allowed us to explore new areas of opportunity, as well as to look at ways of tackling some of our existing areas of giving. So I hope that answers your question.

WILLIAM SCHAMBRA: Last comments. We’re just about out of time. So anyone with final observations or remarks?

TIMOTHY OGDEN: I have a question I’d like to ask you, Bill. Is this not normal procedure for these?

WILLIAM SCHAMBRA: No, it’s not at all normal procedure, and this is the last time you’re my co-moderator. [LAUGHTER] It’s all right. It’s all right.

TIMOTHY OGDEN: It’s the last time I’m working with Gates, too, so you know, doors are rapidly closing. You’ve talked a lot about the problems of donor intent in philanthropy and at foundations. But at a panel I spoke at a couple weeks ago in California on this issue, someone described the Gates Foundation as a 21st century foundation with 17th century governance. Referring back to this, it is the family and that is it. So how do you think about appropriate policy around both honoring donor intent and freedom of institutions from outside interference, and a reasonable set of democratic norms for an institution of this size and this ability to affect things?

WILLIAM SCHAMBRA: Yes, good question, thank you so much. I think without protecting donor intent, you destroy one of the absolutely central motivations for private philanthropy in America. So it is very important to protect that. On the other hand, I’m completely sympathetic with Sue Hoechstetter’s sense that foundations, and often because of the donors and their intent, aren’t sufficiently attentive to the communities in which they’re working. They are not sufficiently cognoscente of the fact that they’re affecting real lives and that these are people.
These are not experimental objects for bumping around with one kind of social experiment or another.

However, there is no cure for that in some sort of federal legislative measure. I don’t think that you can make the problem go away by some federal measure, in part because the federal government is notoriously bad at doing that sort of thing. It would get it horribly wrong somehow. So I think it’s a question of persuading donors to pay more attention to that. I think that is what Sue is about and that’s what NCRP is about, trying to persuade donors to be more attentive to the communities that they are affecting with their donations. So how’s that for a completely evasive answer? [LAUGHTER] Anyway, unless we have further final comments, let’s give our panel a big hand. [APPLAUSE]

TIMOTHY OGDEN: If any of you are taking notes and would like to send me your notes, I’d love to see what you thought. Thank you.