

FIGHTING GLOBAL POVERTY: WHO'LL BE RELEVANT IN 2020?

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EXECUTIVE SUMMARY:

Nowadays in the world of poverty reduction, billionaires, foundations, multinational companies, social entrepreneurs, NGOs, actors, rock stars, sports stars, eccentrics, preachers, are working – or trying to work – in partnership with the established governmental bodies that dominated aid and development for most of the post-World War II period. To determine whether this new coalition of actors will become an integral part of the aid and development system requires an understanding both of the strengths and weaknesses of the new and old players, and of what it is that needs to be done to promote development and eradicate poverty. History suggests that philanthropic activity and innovative social enterprise happen in bursts, and ends with government taking over the best and scaling it up, making such actors ineffectual in the long-term. Even so, the aid establishment is increasingly starting to take the new philanthropists seriously, and there are good reasons to have high hopes for their ability to make a difference. Unlike traditional actors, this burgeoning group possesses the independence and wealth to attempt new approaches, which offers the possibility of improving the flexibility and responsiveness of the aid infrastructure. While their role is as of yet undefined, and their long-term impact equally uncertain, the likeliest outcome is a continuation, and probably deepening, of the trend for flexible, ad hoc partnerships, issue by issue, between different players – coalitions of the willing, as it were, or flexible geometry or, as the Google guys might put it, networked or open source global governance.

*SAVE THE WORLD – It's not easy, Googlers, so mail your ideas**(written on a white board in the offices of Google.org, April 2007)*

For a White House summit, it was quite a party. The president was late arriving to give his concluding remarks, so his place at the podium was taken by Yvonne Chaka Chaka, an African business woman, motivational speaker, UN Goodwill Ambassador and singer. As she started to sing her latest campaign song, her fellow summiteers, in their formal business attire, seemed unclear how to behave. Then an elderly lady stood up and started to dance. But would anyone join her?

Finally, a middle-aged man in a suit got up and started to waltz with the elderly lady. Then Eytayo Lambo, the minister of health in Nigeria, clad traditionally in a brightly-coloured robe and hat, climbed on the podium and started to dance, somewhat raunchily, with Ms. Chaka Chaka. Soon everyone at the summit was joining in, dancing, clapping or swaying. Well, nearly everyone. “Where is my dance partner, Paul Wolfowitz?” shouted Ms. Chaka Chaka.

The then head of the World Bank had spoken earlier on a panel with Ann Veneman, the executive director of UNICEF; Richard Feachem, the retiring executive director of the Global Fund to Fight AIDS, Tuberculosis and Malaria; Margaret Chan, the incoming director general of the World Health Organisation; and the Nigerian health minister. Their topic was “the power of public-private partnerships and multilateral efforts” in the fight against malaria. Mr. Wolfowitz said that malaria, which kills around 2,000 people a day in Africa, besides its human costs, was “a huge drain on a poor economy”.

This was followed by a speech from Melinda Gates, co-chair of the Bill & Melinda Gates Foundation, the world's biggest charitable foundation. Others at last December's malaria summit – “master of ceremonies”, actor Isaiah Washington – included America's First Lady and Secretary of State, representatives of the Boys & Girls Clubs of America, several professional basketball players who pledged to “slam dunk malaria”, and the chairman of the American Red Cross. It was her mother who started the dancing – which turned out to be with Fred Matser, a Dutch real-estate tycoon turned philanthropist, who talks freely about how his life was changed by an “out of body experience”.

Other philanthropists in attendance included Steve Case, the billionaire former boss of AOL, and Ray Chambers, a private-equity investor who chairs Malaria No More, the NGO behind the summit. Accompanying him were two of the NGO's board members, Tim Shriver, a member of the Kennedy political dynasty, and Ed Scott. With Bill Gates and George Soros, Mr. Scott provided seed finance for DATA, the campaigning organisation started by U2 front man Bono and Mr. Shriver's brother, Bobby, which generated much of the buzz around the debt relief and aid focused 2005 G8 Summit at Gleneagles.

Stephen Phillips, medical director of Global Issues and Projects of Exxon Mobil, the giant oil company, told the summit that “our business presence in Africa caused us to witness first hand the devastating impact malaria has had”, and that “five years ago we started to do something about it.”

Mainstream religion—or, at least, Christianity—was also represented, with speeches by the Episcopal Church's president of Relief and Development, the senior pastor of the Living Church in Kigali, Rwanda, and Rick Warren, senior pastor of Saddleback, an American mega-church. Mr. Warren is almost as keen a disciple of his mentor, the late management guru, Peter Drucker, as he is of Jesus. His church has struck a partnership to distribute anti-malaria bed nets with the president of Rwanda (who was inspired by Mr. Warren's best-seller, *The Purpose Driven Life*). At the summit, Mr Warren complained that by talking all the time about public-private partnerships, his fellow attendees were ignoring the “third leg of the stool”, the “faith sector”, especially the local congregation (of whatever religion).

So it goes nowadays in the world of development and poverty reduction. Billionaires, foundations, multinational companies, social entrepreneurs, NGOs, actors, rock stars, sports stars, eccentrics, preachers, working – or trying to work – in partnership with the established governmental bodies that dominated aid and development for most of the post-World War II period.

The new players bring to the table a remarkable variety of voices and ideas, combined with a mixture of expertise, naivety and occasional outbursts of joyful dancing. The contrast could hardly be starker with the sombre white male bureaucrats in smoke-filled rooms who created the main pillars of the post-War aid and development system, which arguably began at Bretton Woods in 1944 with the formation of what was to become the World Bank.

Perhaps the only constant factor – for reasons that are not immediately obvious – is the celebrity economist. Bretton Woods had John Maynard Keynes, bisexual husband of a Russian ballerina. Today, we are blessed with Jeffrey Sachs, friend of Bono and Angelina Jolie, a film star who he met at the World Economic Forum in Davos – which has become a sort of annual Bretton Woods for today's global policymakers, old and new.

Mr. Sachs is a charismatic and influential advocate for development and poverty alleviation, particularly by spending far more money on helping the poor. However, he is also at least partly responsible for arguably one of the lowest moments for the “new aid and development” movement: Madonna's visit last year to the village of Mchinji in Malawi, during which she generated headlines around the world by adopting a one-year-old boy.

This trip was intended to inform her about the Millennium Village project, a brainchild of Mr. Sachs which aims to show how bottom-up policies focused at the village level can achieve the UN's Millennium Development Goals—a strategy not obviously advanced by a policy of one child not left behind. The child turned out not to be an orphan, as first thought. His father protested, the legality of the adoption was questioned, some human rights NGOs were outraged, and there were reports of a spat between Madonna and another celebrity adopter-activist, Ms. Jolie. If any single incident captured why so many of the older players are so nervous about the growing role of at least some of the new players, this was it.

DEFINING NEW PLAYERS

So, what is the proper role for the new players – and, by extension, what should be the division of labour between them and the older players? Are they here to stay? By 2020, will they be an integral part of the aid and development system – assuming such a system is still needed – or will their current frenetic activity prove to be a fad, as the traditional players reassert themselves or, maybe, even newer players enter the field?

To answer these questions requires an understanding both of the strengths and weaknesses of the new and old players, and of what it is that needs to be done to promote development and eradicate poverty.

To further complicate this task, it is not clear who actually counts as a “new” player. The Rockefeller Foundation, which recently launched a partnership for a new green revolution in Africa with the Gates Foundation, was founded in 1913 and points out that for the first 13 years of its life it disbursed more in overseas aid than the US government. Many of the big development charities, Oxfam and the like, have been around long enough to count themselves among the older players even though their role in the system continues to evolve. Even celebrities have been at this a while. The original Live Aid concert was in 1985, so Bono has now been involved in fighting global poverty for 22 years. George Harrison’s pioneering Concert for Bangladesh took place in 1971.

Nor does the role the older actors, particularly governments and the multilateral agencies, want to play in the future necessarily bear much resemblance to what they did in the past. Ideas have evolved – on Africanisation, structural adjustment, corruption, and so on. Much aid and development activity in the past was driven by political imperatives arising from the Cold War and post-colonialism, less than by a concern for the poor. That is not entirely gone, and may increase again – especially in the Middle East – but it is a less significant factor today than it was for the main donor governments. Recent events at the World Bank suggest that America’s grip on it is easing slightly, whilst market forces have caused falling demand for its loans putting pressure on the Bank to rethink its role. At the same time, the “competitive” use of aid may be re-emerging in a different guise – to woo developing countries with strategic resources, especially in energy. Now the main competitor is China not the Soviet Union. Strikingly, more African heads of state attended last year’s China-Africa summit than the G8 at Gleneagles a year earlier.

Moreover, some of the new players in aid and development involve the old players in new guises – such as advanced market commitments by governments to purchase new drugs if they are created, and the Global Fund to Fight AIDS, Malaria and Tuberculosis, which formally integrates governments and foundations in its governance structure.

The Gates Foundation has a seat on the board of the Global Fund – one example among many of how philanthropy is starting to have a significant impact on aid and development policy. It is a presence that has not always been welcomed by the established players, many of whom are suspicious about new philanthropists and snigger behind their hands at “naïve” initiatives such as “Hedge funds versus malaria”. Indeed, many of the new philanthropists admit they have had to do a lot of learning from initial mistakes – no doubt goaded into them by the abundant supply of snake oil salesman willing to take advantage of

their good intentions. Even so, the aid establishment is increasingly starting to take the new philanthropists seriously, not least because of the significant sums of money they bring.

A NEW BREED OF PHILANTHROPY

With assets of \$30 billion and maybe a further \$80 billion to come from Mr. Gates and his bridge partner, Warren Buffett, the Gates Foundation will certainly be a significant player in 2020. Indeed, it will probably be more significant than it is today, as its new programme on development starts to match the momentum of its established global health programme.

As my forthcoming book with Michael Green will argue, whilst philanthropy has something of a mixed record historically, there are good reasons to have high hopes of Mr. Gates and the current wave of “new philanthropists”. This hope is increased by the embrace of the Anglo-American tradition by the newly super-rich everywhere, including those in the developing world. Nowadays, to be regarded as a good billionaire, it is a necessary (but not necessarily sufficient) condition that you are a philanthropist.

One clear conclusion from past philanthropy is that charitable foundations tend to do a far better job when the founder is alive and engaged in it. That is why Mr. Buffett's gift will only continue to flow in chunks to the foundation whilst at least one of Mr. Gates and Melinda are active in it. There is every reason to expect that to be so for many years, as Mr. Gates, who next spring, at the age of 53, will reduce his role at Microsoft in order to work full-time at the foundation.

Active philanthropists are more likely to keep their foundation agile and creative, rather than bureaucratic – though the rapid growth of the Gates Foundation will put that theory to the test.

EMPHASIZING IMPACT

Many of today's new philanthropists are likely to be active long enough to learn from their mistakes, which is just as well. As Mario Marino of Venture Philanthropy Partners, one of America's leading venture philanthropists, points out, “the new rich have often made their money very fast, and get intoxicated with their own brilliance into thinking they can quickly achieve results in the non-profit sector. They forget that their success may have been due to luck, and that the non-profit sector may be far more complex than where they have come from.”

“Will our first agricultural strategy be perfect? Of course not. But we will learn and learn and learn over the next few years, and over 10 years we will have an impact,” says Patti Stonesifer, the chief executive of the Gates Foundation.

A focus on impact is one of the most positive contributions of the new philanthropy, and it is inspiring some significant reforms at older philanthropies such as the Rockefeller Foundation (which actually regards its renewed emphasis on impact as getting back to its roots). A key element of this focus is trying to be more businesslike in how they go about

their philanthropy, from paying staff well to setting strategic goals and monitoring performance against them.

These goals are often big, and extraordinarily challenging. The philanthropists behind Malaria No More aim to eradicate malaria from the planet. Bono and his backers aim to “make poverty history”. Google.org aims to have a bigger impact on making the world a better place than its parent, Google.com – which would be quite something.

The difficulty of measuring impact grows the bigger the goal. Metrics are far better for narrowly defined projects, such as vaccinating or educating a given population. But linking good performance on these metrics to progress on development and poverty can be tricky, to say the least.

The lack of good metrics increases the risk of philanthropic market failure, which is high anyway due to the absence of pressure for performance and mechanisms for holding philanthropists to account. In so far as government regulators take an interest in the sector, it is to uncover abuses such as misusing funds. But an occasional scandal about foundation staff using corporate jets, or a donor using a foundation to further personal interests, misses what may be a far greater problem: the lack of impact of philanthropic dollars.

As giving is voluntary, the extent to which philanthropists really try to achieve impact, as opposed to ease their conscience or boost their social standing, is also discretionary. Under-performing philanthropists do not go bust. Some experts think that philanthropy is better understood viewing it as a luxury consumer good than as the “social investment” of the new philanthropy lexicon. A big challenge, if new philanthropy is to achieve its promise – and justify the tax subsidy that it typically receives – is to ensure that it is “instrumental” not merely “expressive” of who the philanthropist wants to be.

Philanthropists at their best can do things that others find significantly harder. They do not face pressure from electorates or the stock market, so they can think long-term, act quickly, and do things that are unpopular. They can close a failed innovation more easily than, say, a government, which often has to deal with a vocal group that benefits from the failed scheme.

BELIEVING IN ADVOCACY

Increasingly, the new philanthropists believe that one way in which they can, and must, achieve leverage is through advocacy to shape the political debate. “I did not realise how much advocacy we would have to do. We expected to concentrate on developing drugs and so on. We were a bunch of product development people! We assumed others would focus on getting the products out there,” says Ms. Stonesifer, who admits surprise that two of the foundation’s most important partners are Oprah Winfrey and Bono.

Indeed, some at the Gates Foundation cite the money they invested in seeding DATA as one of the greatest ever examples of leverage – “\$50 billion in debt relief and aid for a \$1m investment.” This makes a powerful case for working with “celanthropists” – or, at least, the increasing number of them that go about their good cause work professionally, rather than like a virgin. As well as often being serious philanthropists in their own right –

Elton John has given £27m of his own money to fight AIDS - celebrities can shape public opinion and readily access those with the power to change policy; “people take my calls,” as Ms. Jolie puts it.

On the other hand, those working with them must deal with the fact that often celebrities are, to put it politely, not necessarily experts or deep thinkers about the causes they advocate. Moreover, even the best of them may be doing this work in part to promote their own brand, which may not always accord with the branding and other needs of their partners in the cause.

This may be equally true of another significant new sort of celebrity philanthropist: former world leaders who set up philanthropic foundations, such as Bill Clinton, Nelson Mandela and, no doubt before long, Tony Blair. Although they rarely bring much of their own money to the table, they do have another hugely valuable asset, convening power. Like Ms. Jolie, their phone calls are invariably taken. This asset can be monetised. Mr. Clinton and Mr. Mandela have raised large sums of money for the foundations that bear their names. The Clinton Global Initiative (CGI), which has already become an American counterpart/rival to Davos, claimed to have elicited 215 pledges worth \$7.3 billion from attendees last year.

Again, however, the role played by politicians can be controversial and complicating. Despite the attendance of First Lady Laura Bush last year, some critics describe CGI as the “next Democratic administration in waiting”.

A third, rapidly evolving, category of philanthropist is the working royal. The crown prince of Holland is extremely active on water issues, and his wife is an advisor to the UN on microcredit. Ironically, two British royals have pioneered two different sorts of philanthropy – Princess Diana, who knew how to generate publicity for a cause, and her onetime husband, Prince Charles, who has proved a surprisingly effective social entrepreneur.

LEVERAGING FOR GREATNESS

Perhaps the most important buzzword of the new philanthropists is “leverage” - getting the maximum bang for their bucks. This reflects the fact that, for all their billions, the resources of philanthropists are dwarfed by those of governments and the for-profit sector. So to have impact they have to do more than resource transfer; they need to think systematically and find bottlenecks or tipping points where their dollars can have a disproportionate impact.

Thus, although there are significant elements of pure resource transfer in the Gates Foundation strategy of creating incentives for pharmaceutical companies by promising to buy their products, the foundation tries to maximise its leverage by encouraging others with deeper pockets to take on the bulk of the long-term purchasing.

The DATA example also highlights that leverage is a somewhat fuzzy concept, particularly when it comes to clearly demonstrating causality and attributing credit. There were many steps and many partners between the original \$1m of seed capital and the G8 debt relief agreement - and, besides, exactly what impact has that decision had, anyway? As

Bono commented, in textbook new philanthropy lingo, after the 2007 G8 failed to follow through to his satisfaction on the 2005 commitments, “Do they think we can’t read or count? We are looking for accountable language and accountable numbers: we didn’t get them today.”

But it will be no surprise if questions about the legitimacy of all philanthropy become a serious constraint on the role it can play, particularly if the super-rich more actively engage in advocacy to shape the political agenda. The abuse heaped on George Soros, arguably the world’s most visible, as he describes himself, “political philanthropist”, who has been denounced by everyone from Vladimir Putin to Bill O’Reilly and Slavoj Zizek, may be the shape of things to come. To say so is not to add to nor agree with this criticism. Indeed, our book will argue that Mr. Soros is one of the most effective philanthropists around, a risk taker with a well-honed understanding of leverage. Nonetheless, if philanthropists are to fully play the useful role that they might, there may be a need for a new “social contract” between the super-rich and society at large. If so, the content of such a contract should be debated sooner rather than later, and philanthropists would do well to take the lead in initiating it.

CORPORATIONS AS DEVELOPMENT ACTORS

The final group of new players are large multinational companies, which increasingly are getting involved in development and poverty issues. They are doing so in several guises, including through corporate philanthropy, corporate social responsibility, global supply-chain management and “bottom of the pyramid” strategies to sell to poorer customers. Strikingly, many corporate bosses are more exposed to the world and its problems than are many politicians – not least the passport-less hordes in Congress. They also command through their companies significant resources in developing countries.

Of these, the latter two are most likely to deliver sustained impact, as they are core to the firm’s profit-generation strategy. As Bono said when he launched (PRODUCT) RED to raise funds for the Global Fund, to get companies to invest real dollars they need to think they can make money by doing so.

Attempting to persuade firms to be altruistic may prove less fruitful – as good works tend to get cut when business conditions deteriorate – than encouraging them to pursue enlightened self-interest in their core profit-making activities. However, the flip-side of this is that firms are likely to focus their efforts fairly narrowly on those activities which they think will yield them long-term benefit, and will not make much capital available to non-core causes.

Strikingly, Bono’s Red brand is not the only example of an attempt by a philanthropist to harness the capital and scaling power of private firms to a social cause. Indeed, many of the new philanthropists are focused on how to achieve their social mission through for-profit, or, at least, self-sustaining business models. Pierre Omidyar, the founder of eBay, found a traditional foundation too limiting, and folded his foundation into a new organisation, Omidyar Networks, which invests in both non-profit and for-profit organisations that it believes will advance its social mission. Likewise, Google.org was originally supposed to be a traditional corporate foundation, but instead is a division of

Google.com – rather than a legally separate, tax-advantaged organisation – and is free to back both for-profits and non-profits.

Clearly, profitable enterprises can more readily raise growth capital to advance their social cause than loss-making ones. However, it remains to be seen how many profitable social business models can be developed. Mr. Omidyar believes that microfinance is ripe to achieve a much greater scale by attracting profit-seeking capital, and that other social causes may be able to follow in microfinance's footsteps. However, it is not yet clear what those causes are, nor even if microfinance can live up to Mr. Omidyar's profit expectations.

STAYING RELEVANT

So, given the different strengths and weaknesses of the new, and old, players, what should be the division of labour in development and poverty eradication – and who will still be relevant in 2020 and beyond?

History suggests that philanthropic activity and innovative social enterprise happen in bursts, and ends with government taking over the best and scaling it up. Perhaps this will happen again, although it is hard to find a government anywhere that is coping with its existing obligations, let alone wanting to extend itself further. This is true of national governments and even more fundamentally of the pillars of the multilateral system, such as the UN and World Bank, neither of which will prove easy to improve in a way that would reverse the recent surge by the new players.

The likeliest outcome is a continuation, and probably deepening, of the trend for flexible, ad hoc partnerships, issue by issue, between different players – coalitions of the willing, as it were, or flexible geometry or, as the Google guys might put it, networked or open source global governance. Davos and the board of the Global Fund may be the model for the future multilateral governance system.

That may well be the most effective way forward, as well as the most feasible – given the resistance of multilateral institutions to serious reform. The new players offer the possibility of improving the flexibility and responsiveness of aid infrastructure. Indeed, the greatest danger may be that donor harmonisation and the push for alignment around government plans (the Paris Declaration) will push in the opposite direction: towards a more centralised, monolithic aid system.

Ultimately, much will depend on which analysis of the challenges posed by poverty and development prevails. Broadly speaking, there are two main schools of thought. One is that not enough has been spent on the right things needed to boost development and ease poverty. The most vocal proponent of this view is Mr. Sachs, who recently argued that if the 50 richest people in the world each give away 5 percent of their fortunes to fight poverty, it would exceed the impact of the 2005 G8.

The second school, often associated with William Easterly, argues that money isn't the primary problem, government is. Too much of the money passing through government coffers in developing countries, including aid dollars, ends up in their leaders' off-shore bank

accounts. Too often laws and regulation discourage the entrepreneurship that through creating wealth and jobs offers much the best route out of poverty.

Which is why, although in 2020 the Gates Foundation will certainly have had an immense impact on poverty reduction, the most effective new players will be those that generate better governance in developing countries. Although DATA is starting to focus on this, currently leading the way is Mo Ibrahim, an African cell phone entrepreneur, who has launched a prize for leadership in Africa. Whilst it is too small to directly incentivise corrupt leaders to mend their ways, it is intended to inspire a broad debate within Africa about what constitutes good governance. If so, its leverage, and impact, could make Dr. Ibrahim the most effective new player of them all. That would certainly be something worth making a song and dance about.