

Institutional Philanthropy

Trends, Social Context, Distrust and Legitimacy

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The 150th birthday of Calouste Gulbenkian marks a perfect opportunity for the foundation to look at its own future in terms of its commitment, its relevance, its strategy, its programmatic concerns and its operating model. The international conference of today is in that respect both a moment of reflection and hopefully inspiration and creativity in looking at where we are and where we want to go. Obviously, this conference is not a stand-alone, an incidental hick-up, but is part of an ongoing process inside the Gulbenkian foundation to assess its activities and look forward. As an advisor to the Board I have the privilege to witness this fascinating process. It is clear that we are not looking at our future through the back mirror of a car. We do not just want to extrapolate existing activities into the future. On the other hand, the process, in which we are engaged, does not necessarily imply an overhaul of our entire program just for the sake of it. The foundation has been and is involved in some great activities and may stay with them. As I said before this is rather a moment of reflection and of creativity and creativity does not always imply embracing new developments, because they are new. On the contrary it is a sign of creativity that new developments may be nuanced or even rejected.

As we reflect as a foundation on our future activities in terms of content, approaches and engagement with others, we certainly want to be inspired by you, today and in the period ahead.

We are foremost inspired by the legacy of Calouste Gulbenkian. If he would be alive, he would most probably have been open to new realities. Hence it is the responsibility of the Board to move forward and explore new program directions, making the foundation fit for the future but with respect for its past. Trustees

ought to respect the last will and vision of the founder, without turning existing programmatic concerns into rigidity. It means that we have to define the values and interests, that were driving Calouste Gulbenkian years ago. It means that we have to translate these values and interests in contemporary narratives. It is important to know your past. Only if you understand your past, you can look effectively at your future.

So the question is: what did Calouste Gulbenkian stand for, what were his values and interests, that were defining his legacy and that influenced the creation of the foundation? For this I read the biography of Calouste Gulbenkian 'Mr. 5%' and the recently published book 'A Educacao do Delfim', that contains the letter exchange between Calouste Gulbenkian and his grandson Mikael Essayan. From this letter exchange you can distill the values, the moral code and apply them to the Gulbenkian Foundation: do what is right for our fellow human beings and the planet, not what those with the loudest voices advocate; compare yourselves with and learn from the best of the world; be modest, listen and empower people that we serve as a foundation.

Values lead to principles and to attitudes. In the case of Calouste Gulbenkian these are: an attitude of entrepreneurship, taking risk and out of the box thinking; an international commitment combined with a strong interest in local roots; a clear vision and the character to stay with it, while still having an open mind to new developments; a keen eye for impact and effectiveness; willingness to work in partnerships with others; considering social cohesion and inclusion a priority; a great interest in preserving culture but also in broadening cultural horizons; taking the interests of nature and humanity at heart in all what you do; and finally a disdain for publicity, results matter.

What I would like to do is to draw a few logical lines, that are in my opinion relevant for the future strategy of the foundation. Lines that can be derived from the history of this organization and its founder and that also resonate with some

trends that I see as emerging more generically in the world of institutional philanthropy. So, let me look forward with respect for the past.

The first trend is from just donating to a combination of donating and investing. Increasingly foundations are open to use, in addition to donations, loans, guarantees or social equity capital. Trustees realize that the toolbox of a foundation is much larger than just donations and that the needs of recipients should drive the decisions about which tool to choose. If a recipient receives a loan instead of a grant, it can, under certain circumstances, turn that recipient into a social or cultural entrepreneur, using that loan as a collateral to go to a bank to raise additional resources. A few years ago, there were only a few frontrunners in the world of philanthropy that took this broader social investment approach to philanthropy seriously. Examples were the Heron Foundation in NY and Foundation 1818 in The Hague. Nowadays many more foundations show an appetite to enter this domain, but there are hurdles. Is there a developed pipeline of investable opportunities, if the requirement is to have a blended value with clear financial return targets combined with social return targets? Often foundations use the appropriate jargon but are more fascinated by the social return of such investment propositions than by the financial returns. And the consequence may be that in the end such investments in fact turn out to be failed investments and are subsequently seen as straightforward grants. Social investments are also complex because of the due diligence required; program specialists of foundations are often not used to this. They normally grant away money instead of risking it away.

Let me mention a second trend: from funding projects to funding larger programs and being involved in convening, thought leadership and advocacy. The world is flooded with single and isolated projects and they all are worthwhile and deserve a local or national award, but the question to be answered is: where is the systemic change? Foundations do realize that they are involved in a carousel of projects: funding an initiative for 2-4 years, and then moving on to another new and sexy project, believing that they did contribute to the sustainability of the original

initiative, while in fact they only passed the buck on to another foundation. Foundations do realize that there is something wrong with this attitude and style of operation. Increasingly foundations are open to fund larger programs instead of specific projects, to fund the organization behind the project with some institutional funding, to avoid the cookie cutter approach of funding for 2-4 year. Instead they are willing to assess whether a grantee can transform its own organization over time to be in tune with its changing environment. In which case longer term funding is justified. Increasingly foundations go beyond the sheer grantmaking and become involved in developing an experiential knowledgebase and become involved in advocacy.

A third trend is the interest foundations take in identifying what a problem entails and what root causes of a problem are, instead of just stepping in with an intervention in the form of a project, based on a sophisticated gut feeling. In a recent publication of WINGS (Worldwide Initiatives for Grantmaker Support) I read 'Philanthropy is no longer about benevolence. It is about having impact on the complex problems that face the next generation'. There is in my opinion a deeper understanding among foundations, that problems in society are complex, that time and other resources are needed to unravel them and that effective responses should not be assumed but tested. Knowing the root causes of a problem implies that we are more likely to support effective responses. This trend also involves an interest in measuring impact and in evidenced based philanthropy. Formulating KPI's and measuring whether they have been reached becomes the norm. Related to this is the willingness to share experiential knowledge distilled from the grantmaking program with a wider national and international audience.

A fourth trend relates to foundations working in partnership; first of all, with each other but beyond this also with other stakeholders. Taking into account the fact that foundations become increasingly involved in more global problems, even if these problems manifest themselves on the local level, drives a willingness of foundations to work together with their peers. In this way resources can be pooled, and it allows for an effective and holistic approach to problems.

Regularly partnerships go beyond the cooperation with other foundations and stretch out to governments and the corporate sector. If foundations embark on such a cooperation, there ought to be some preconditions in place. Governments should for instance accept that foundations are independent: while on day one foundations can work together with government, the next day they can be the criticaster of government. It also requires that governments do not just look upon foundations as funders but realize that foundations have an agenda driven by content, that we should not be approached as an afterthought but as a partner, that is involved right from the beginning, when the parameters of a program are being designed. Last year I chaired the so-called Philanthropy Scrum in Brussels with foundations and representatives of the European Parliament, Council and Commission. One of the issues on the table was our cooperation as European foundations with the European institutions to further the European agenda, which is also dear to us. To my surprise within a few minutes a representative of the European Commission asked the floor and said, that he welcomed a cooperation in which the Commission could define the program priorities and we could come in as a funder. This is not the lens through which governments, national or international, should look at us. On the other hand, I must say that foundations too often fund a project, evaluate it, put a ribbon around it and send it off to the government with the request to move it to scale. Obviously, this does not work either. Both situations reflect on the wrong mind set regarding constructive partnerships. In my opinion there are great opportunities for cooperation, but it has to be approached with mutual respect, mutual trust and with realistic expectations.

The last trend I want to mention (also relevant to the Gulbenikian Foundation), is, that foundations do not want to be all over the place but want to focus and give dedicated attention to translating ideas into programs, rather than dealing with a very broad range of dispersed and often unconnected activities. This trend is derived from a wish to be effective. Particularly if foundations have an interest in analyzing the root causes of a problem, if they want to be seen as the incubator of society, responsible for social innovation, social venture capital and

transformation, the consequence may be more proactive forms of grantmaking: don't call us, we call you. Many foundations do not accept unsolicited proposals. And this supposedly demonstrates their own advanced thinking and progressive stance. NGO's are invited to submit a proposal or foundations organize a call for proposals and allow organizations to pitch.

With respect to these trends we should make an attempt not to get overly excited and go overboard. Don't believe everything you think. Creativity is also the capability to reject. It resonates with the DNA of the foundation to demystify new trends, that too often are embraced as the holy grail. Let me therefore make a few remarks to bring those trends back to their more realistic dimensions.

Even if we see a trend from donating to investing and we see that investment approaches become more important, let us not forget the crucial importance of straightforward donations in many situations. Not always is there a business model underlying social initiatives, that could justify an investment approach. If foundations want to support the care of HIVAIDS orphans in very poor communities, there are hardly any alternatives but grants. Even if investment approaches to tackle social problems are seen as relevant, it may require grants to turn a project into an investment opportunity.

Yes, there may be a trend from doing projects to larger programs, to be the convener and to do advocacy, but it is still very relevant as a foundation to make your feet wet and be involved with concrete activities on the grassroot level. Your advocacy can only be as convincing as your grassroot engagement is.

Yes, there may be a trend to become involved in evidence-based philanthropy, an interest in setting targets and aiming at measurable results, but we should also realize that philanthropy often contributes to the intangible social capital of society. And this may not be captured in any form of measurement. A rigid application of KPI's and a wish to measure everything means, that we may narrow our focus to quantifiable and short-term results. We have to avoid embracing a fad

as a serious trend, in order to prove that we are cutting edge. Martin Luther King would not have had so much influence, if he, instead of saying 'I have a dream', would have said "I have KPI's".

Yes, there is a trend to work in partnership with other foundations and other stakeholders, but it should be driven by functionality and not by beliefs. There are circumstances, that justify not to enter into a partnership, as we realize that we can move faster by doing things alone, particularly if it relates to specific interventions not requiring interdisciplinary approaches.

Yes, there is a trend for foundations to become more pro-active on the basis of research regarding what to support and how to support it, but we should not become so proactive that we have no eye for the relevance of unsolicited proposals. Foundations that become too pro-active, could easily become slightly autistic and could suffer from not having the finger at the pulse of society. Potential grantees often have a feeling that their proposal, although in sync with the mission of a foundation, will never fit into a foundation policy, unless you know somebody from inside, that makes it fit the bill. Our search for wanting to be effective could easily be perceived as being arrogant.

All these trends, even when we put them in perspective and bring them back to more modest and realistic proportions, are important for us as Gulbenkian Foundation. However, there is something far more important than these trends with respect to philanthropy, namely the social, economic and political context within which these trends take place. That context is rapidly changing, and this forces us to look at our role, our added value: in short, our legitimacy.

If we look at the evolving context, the trends that I identified, get a different meaning. These trends do not have an absolute value, they are not relevant in their own right. It is the nature of the problems, that we experience in our societies, that gives relevance to these trends. The fact that local people want to develop into social or cultural entrepreneurs instead of getting financial hand-outs, stimulates

us to move from donating to investing. Therefore, embarking on new approaches is not a mechanical thing; it is culturally and contextually determined: circumstances require us to follow new roads, as outlined by me before.

What then are these new circumstances and challenges, that have led to the changes in the social, economic and political context within which we operate. Let me mention a few: sudden flows of refugees upset citizens and there is a fear of much larger flows of migrants from the global south to Europe; populism and nationalism are on the rise; larger inequalities can be observed with sharp divides between the haves and have nots and with a disappearing middle class; illiberal democracies present themselves; so does religious conservatism; the dilemma of security versus privacy and liberty becomes apparent; there is a serious concern whether we are capable and willing to create a sustainable environment for us and our children.

The context is changing also in another way, namely in the changing political configuration. The problems and challenges, that I mentioned, are being looked at through different lenses and hence the discussions and eventually the decisions alter. Instead of the usual left- and right-wing parties in our liberal democracies, there is an array of new and upcoming parties, that often started in the fringes of the political spectrum but now pushes traditional parties to the sidelines. Political fragmentation seems the new phenomenon. Policymaking will therefore become more complex; it is difficult to reach compromises on the challenges we face; furthermore, governments often hesitate to take decisions, they are afraid of making mistakes and look for diluted compromises. Once there is a compromise, it is not clear who owns it.

Politics moved beyond the left versus right and progressive versus conservative divide into a divide between hope for the future and fear for the future. The new divides in the political discourse are more related to the fact that some groups of the population take advantage of globalization, of the related economic growth and

show optimism, while other groups are pessimistic and see globalization as a threat. This gets translated into populism, nostalgia for the past and nationalism.

All these problems and challenges are too big and complex to be solved by just government and the related public resources. Hence the role of civil society and within this of foundations becomes more important. The role of foundations is not important because of the quantity of their resources. Resources of foundations may be significant in absolute terms, but in comparison to the government they are minute; Gerry Salole used to refer to this as swimming pool money versus ocean money. There are roughly 150.000 foundations in Europe, spending around 60 billion Euros per year and managing 515 billion Euros in endowments and other assets. We never could be a substitute for government and by the way we should not be a substitute. The challenge is to lower expectations, that foundations can step into the vacuum left by governments in retreat. Foundations can play a prominent role complementary to what governments can do. The quality of our resources matters.

The context in which we operate is, as I said, changing rapidly, but this development is aggravated by questions about our credibility and legitimacy. We observe, that there is distrust; not only governments are met with distrust from the citizens and the media but also foundations and civil society organizations in general are met with distrust. There are doubts about the effectiveness of foundation programs; the lack of transparency may give rise to concerns; and even the choice of what families and corporates see as a legitimate mission for their foundation can be questioned. Such doubts were for instance expressed by my countryman Rutger Bregman, a journalist whose intervention during a panel discussion at the last World Economic Forum conference in Davos, went viral. He pointed out that all the high net worth individuals present at Davos talk about justice, equality and transparency and are somehow engaged in philanthropy, while they avoid paying their fair share in terms of taxation. A similar critical tone is voiced by Robert Reich in his book 'Just Giving: Why Philanthropy is Failing Democracy and How it Can Do Better', where he criticizes big philanthropy as a

power tool of the very rich: no accountability, no transparency, donor-driven, existing in perpetuity subsidized with taxpayers money.

Let me briefly react to this. People that question our added value do not see, that philanthropy can be very genuine, done by people that want to give back to society and are in no need to profile themselves in doing this. People that question our added value, do not see that private money can contribute to a more diverse and pluriform society. Furthermore, it is governments, that decide on tax levels and tax systems and they often decide to reduce their own presence, wanting to create space for private money to contribute to the quality of society. I would say 'praise the Lord, that there is private money available to serve the public good'.

On the other hand, there is more than a grain of truth in these comments by people like Bregman and Reich. I believe, that the size of the sector and particularly of individual foundations becomes a challenge for us. If you are relatively small, it is not only easier to play the role of the changemaker, to be a bit erratic in the public domain and to play the wild card, it also means that you can operate in relative silence as you are not seen as a threat to the system. Once philanthropy gets more substantial and foundations become more visible and influential, the notion of philanthropy being a black box and being questioned becomes more apparent.

The increase of size and importance of private giving puts a different responsibility on us, because the stakes are higher. It could be predicted that we would be questioned about issues like the added value that we have and how transparent we are about programs and mode of operation.

All of this means that we should not become defensive but seriously look at our legitimacy. Tax money for the public good is not superior to private money for the public good. Nor does the government have a monopoly on serving the public good. It means that we have to be much more explicit about our added value. We have to rebuild trust and demonstrate that we, with our private money for the public good, with our potential to take risks and with our independence, have a distinct

role to play and that we are transparent about it. We are either at the table or on the menu. Rockefeller Philanthropy Advisors has developed a very interesting model, under the name The Philanthropy Framework, to analyse how a foundation makes decisions, interacts with others and the broader society and utilises its capabilities and resources.

This problem of distrust of the philanthropy sector should challenge us. Tough times breed strength. We have to be alert and fight undue criticism, we also have to play expectations down about what we can achieve, but we also have to do some self-reflection and seriously look at our legitimacy. Maecenata is in the process of developing an interesting tool 'philanthropy insight', that may contribute to underpinning the license to operate of foundations in an environment, that becomes increasingly critical.

Legitimacy will be, in my opinion, the most strategic issue in the future. Key in this is that we really start listening to communities we claim to serve.

In terms of accountability it seems understood that there is an accountability of foundations to the authorities: the enforceable accountability. However, we should pay far more attention to the unenforceable accountability; the accountability of foundations to the local communities. The ownership of foundations does not rest with the founders or trustees but in the end with the community. Foundations are there to serve the community. This means that we have to listen to the community, to be open to signals of the community. Do we engage the communities we work with sufficiently in our work, do we have the finger at the pulse of society? I do not think so. This is what drives local organizations and community groups crazy. They have needs and think in terms of possibilities, while we have systems and policy-plans and think in terms of constraints and why a suggestion will not fit in our strategy. We request that they formulate their theory of change, while they are in desperate need for support. We should to a much larger extent engage communities in our work: in defining the problem, in defining the solution and in assessing the impact. Fortunately, there are developments in the right direction.

The movement also in Europe of community philanthropy is a silent revolution, where the emphasis is not on building local endowments but capitalizing on local assets.

In my opinion it fits our history as Calouste Gulbenkian Foundation, if we pay next to donations, attention to social investments; if we are interested in larger programs, advocacy and the organisation behind the project; if we are interested in the root causes of problems as a stepping stone to effective solutions; if we work in partnership with others; if we have a focus in our work and if we take a sustainable environment seriously; and above all if we listen to the community, we want to serve. You cannot plan everything. Things sometimes happen by coincidence; there is serendipity and we should allow for this.

The foundation may plan its future but may also be agile and grasp opportunities when they present themselves and allow for accidental developments, in the same fashion that it was in a way accidental that Calouste selected Lisbon Portugal as the seat for his foundation. Aren't we blessed?