Philanthropy

Donors increasingly believe in pooling resources to create a bigger impact

As aggregated funds become more common, they could become the catalyst for more than $5bn in annual giving

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When nine-year-old Raj Panjabi and his family fled the Liberian civil war in the 1990s to the US, the idea of having access to millions of dollars was unimaginable. Yet this became a reality this year when a multimillion-dollar grant was awarded to Liberia’s National Community Health Assistant Program, whose partners include Last Mile Health, the non-profit organisation Panjabi co-founded.

The funding for the programme, which aims to bring healthcare to more than 1m people in Liberia’s remote communities, is among the first round of grants announced in January by Co-Impact, a collaborative fund launched last year by Olivia Leland and backed by billionaire philanthropists, including Bill and Melinda Gates and Jeff Skoll.

The Co-Impact grants are sizeable: between $10m and $50m over five years; the first round gave away a total of $80m. But what makes them particularly notable is that they form part of an emerging phenomenon: collaborative giving initiatives that some hope will unleash vast sums of charitable funding.

For Panjabi, the Co-Impact grant’s benefits extend beyond money to the ability to become part of a bigger system of change that involves governments, local non-governmental organisations (NGOs) and others. “If you go it alone, you won’t go as far as you will if you go with others,” he says.

The approach runs counter to more traditional forms of giving. For wealthy donors, philanthropy usually means making individual gifts and being acknowledged for them (often with naming rights) or funding foundations bearing the names of their creators. Now, wealthy donors are starting to come together to pool their resources.

“You’ve seen the rise of these massive funds,” says Alison Powell, senior director for philanthropy at the Bridgespan Group, the philanthropy advisers whose clients include Co-Impact. “We do see a move to more of this aggregated giving.”

In a report on what the wealthy are doing to achieve more with their philanthropy, Bridgespan estimated that as aggregated funds become more common, they could become the catalyst for more than $5bn in annual giving.

As well as being able to pool significant sums of philanthropic funding, these collaborative initiatives express a new level of ambition in their goals. Co-Impact, for example, says its aim is to improve education, health and economic opportunity for an estimated 9m people in Africa, south Asia and Latin America over the next five years.

Joining Co-Impact in the collaborative approach are groups such as the Freedom Fund, which in 2013 brought together three foundations to combat modern slavery: Humanity United (part of eBay founder Pierre Omidyar’s Omidyar Group), the Legatum Foundation and the Walk Free Foundation.

In 2016, with an initial commitment from funders of $750m, the Edna McConnell Clark Foundation launched Blue Meridian Partners to help American children and youths living in poverty. Last year, The Audacious Project, a philanthropic collaborative housed at TED, the conference and online talk producer, was established.

Collaborative funds are still relatively unusual. “There is a growing trend [toward] collaborative philanthropy, but it’s still quite small overall,” says Leland. “The norm in philanthropy is still very much to do things alone.”

If Blue Meridian’s experience is any indication, however, more funds may soon emerge. “We’ve been flooded with people wanting to learn from what we’re doing,” says Nancy Roob, president and chief executive of the Edna McConnell Clark Foundation and Blue Meridian’s chief executive. Blue Meridian’s funds now total $1.7bn.

For Nick Grono, the Freedom Fund’s chief executive, the idea of collaborating was particularly compelling at the time of the fund’s formation, since modern slavery was not attracting significant attention or funding. “There was a recognition that by pooling more resources in a single organisation with a single
strategy, they could have a greater impact in a fragmented space where the resources were relatively insignificant," he says.

Another advantage to the collaborative model is being able to share knowledge and experience with other donors. “I’ve never been to a Blue Meridian meeting where I didn’t learn something,” says Stanley Druckenmiller, the hedge fund manager and philanthropist who chairs the fund. “We’re all trying to identify ways to have the most impact with our money. You get new ideas and thoughts that you don’t necessarily agree with, but your mind is opened.”

For Druckenmiller, whose net worth is estimated by Forbes at $4.8bn, the Blue Meridian model matched exactly the giving philosophy he and his wife follow. “This was a complete no-brainer for Fiona and myself,” he says. “We like to identify areas we care about and make very concentrated bets — pretty much the way I do in the private sector.”

Sometimes the focus on collaboration extends to grantees of the funds. Grono says the Freedom Fund looks to make grants to organisations that work together. In northern India, for example, it is funding more than 20 local groups that are collectively seeking to reduce the prevalence of bonded labour and trafficking, and to strengthen the effectiveness of government anti-trafficking mechanisms.

“Our model is not just about funding individual organisations but funding them to work together,” he says. “So we’re pooling at top and bottom in the sense that we’re bringing donors together, but we’re also insisting that our partners on the ground collaborate.”

Co-Impact’s first five grantees are also collaborative. For example, citiesRISE is a global network of cities that is working to improve the mental health of urban communities, particularly young people.

Another Co-Impact grantee, Teaching at the Right Level, an initiative designed to improve learning, is a joint venture between Pratham, one of India’s largest NGOs, and the Abdul Latif Jameel Poverty Action Lab, a global research centre, and works with governments and other agencies.

As with many endeavours, though, collaboration is not always easy, and those behind the new funds all stress the need to put certain things in place from the outset.

Rajiv Shah, president of the Rockefeller Foundation (a Co-Impact core partner), argues that time needs to be spent early on to make sure all partners are aligned on the mission and purpose of the organisation.

“Partnerships can sometimes be difficult in the sense that you do extra work on the front end,” he says. “But over time that alignment delivers exceptional value and far higher results on investment.”

Establishing robust governance frameworks is also essential when bringing together groups of philanthropists to give away such large sums of money.

“The structure, the voting, ensuring people are comfortable with pooling resources, and the point at which to turn over the decision-making control are all critical things for these funds to figure out,” says Bridgespan’s Powell.

While no single model is being adopted, a governance pattern is emerging, usually with a set of core donors who commit the largest sums of money and shape a fund’s philanthropic investment strategy, and other donors who make smaller financial commitments.

At Blue Meridian, each “general partner”, as they are known, commits at least $50m over five years to the grant-making pool and has a vote in investment decisions. “Limited partners” commit at least $15m, with a portion of this going into the pool and the rest being directed to the individual non-profits in the portfolio that they choose to support.

Similarly, at Co-Impact, “core partners” commit $25m-$50m over 10 years and make decisions on grants, while “community partners” commit between $250,000 and $750,000 a year. “We wanted to create a flexible platform so donors could engage in different ways,” says Leland.

The model has elements in common with for-profit forms of investment, including a strong focus on performance tracking and measurable results.

“It’s making sure donors have a sense of how the collaborative [fund] is going about social change — with winnable milestones and specific goals the fund is trying to achieve — so that donors understand how their money is being used,” says Powell.

Roob of Blue Meridian believes as more collaborative-giving funds emerge, track record and performance will become increasingly important, with potential donors assessing them in much the same way they do with for-profit fund managers. “In the end you’re betting on a management team,” she says.

The emergence of collaborative funds might also counter criticism of “big philanthropy”, including concerns about foundations that are largely unaccountable, grant-makers that treat non-profits as the contractors needed to execute their programmes, and individual donors with too much power and influence.

“What we are looking to do is ensure we are always listening to the voices of the funder community but also to programme partner funders, the communities they are serving and government,” says Leland. “So it’s not saying philanthropy has all the answers.”