

US and European philanthropy must collaborate

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Last year Rien van Gendt gave the closing remarks, and in preparing for this talk I thought I might just give his talk again because it was so good. It is always a privilege to follow Rien, but somewhat daunting.

To be given the role of the wrap-up speaker at the conference can mean one of two things. The first is that you are trusted not to let the conference end on a down note and in that sense it is quite an honour. The second is that most people will have left by then so it really doesn't matter what you say. I am not sure which was intended by the organizers, but a lot of people still seem to be here so there might be quite a bit of anxiety among the organizers. I will try not to embarrass them too much.

In the remarks I will make today, I will draw on both a set of observations from this conference and some 35 years of working with the Ford Foundation – from which I recently retired. Having attended most, but not all, of the past EFC conferences, I think most people would recognize this one to be somewhat qualitatively different. The buzz in the halls is unmistakable. I think that difference comes from two places. The first is that this conference has put on its agenda the critical issues of our time, such as migration, climate change, healthcare, development and conflict resolution. The second is that the community of members of the EFC faced the test of providing adequate support for the institution and passed that test. But more about that later.

It is interesting to me that, at this moment, on both sides of the Atlantic, philanthropy is on a high. The speed at which new foundations are being created in Europe and the United States is breathtaking and the assets the philanthropic sector is accumulating is mind-boggling and this, even before the intergenerational transfer of wealth – a phenomenon in both places – kicks fully in. It is at this moment that I believe that organized philanthropy in the United States and in Europe should come together to craft a more effective, thoughtful and content-rich collaboration. It is important that we do this for three reasons: we have so much to learn from each other, there is so much important work that we can do together, and many of the issues we face are similar. Being an advocate for that collaboration is the purpose of my remarks today, and I want to provide some impetus for that by reviewing a set of issues, some of which are handled better by European institutions, some of which are handled better by US institutions, and some that neither side of the Atlantic handles that well. By necessity, I will be dealing in some broad generalizations and there will always be an exception in the reality of a particular institution or in a particular geographic area, but I hope some of the overall principle or the trend will have the ring of truth for the most part.

Before proceeding with the main thrust, let's get two important points out of the way. The first is a working definition of philanthropy. We all know there are many definitions out there, historic, religious and linguistic. Frankly, I find these to be quaint, but not of much utility. I prefer a simple yet practical definition: *Philanthropy is the voluntary*

capture of private wealth for public benefit. I say voluntary because, after all, the state tax authorities capture private wealth for public benefit, but that capture is hardly voluntary.

The second point is that, for the most part, philanthropy, whether individual or organized, conducts its business through the institutions of civil society. In this sense, I would submit to you that the primary mission of philanthropy is the nurturing and support of the institutions of civil society. I want to be very clear here, I make this point not only because of the instrumental tasks that the institutions of civil society perform – such as providing needed services, educating us throughout our lives, helping to develop public policy, conducting advocacy, and strengthening our identity through artistic and cultural expression – but also because this layer of institutions performs an important generic function.

At a time when the issues facing society are extremely complex, the traditional separation of powers into executive, legislative and judicial functions is simply not enough to guard against the potential abuse of power. Even the addition of a fourth estate, the independent press, does not guarantee that power will not be abused. In this situation the institutions of civil society, now self-conscious that they belong to a sector and aware that their linkages to each other increase the soft power of their influence, can be seen as a ‘fifth estate’ that helps to guard against the abuse of power. That is why philanthropy’s primary mission of supporting the institutions of civil society is so important. And a good set of case studies on this point is addressed in the book edited by Pavel Demes and his colleagues.

Having gotten that out of the way, let us move on to the issues faced by philanthropy in Europe and the United States. The *first issue*, and an important one, is the role of foundations in supporting public policy and in interfacing with the public sector. In this sphere, it seems to me that the European foundations are much more comfortable with their public policy role than their counterparts in the United States. US foundations are somewhat schizophrenic about their role here and as a result are often much too timid.

My sense is that this comes from the fact that in Europe there is still a sense in most places about what it means to be a part of most of the countries – a social compact, if you will, even though the social compact might be imperfect. In the United States, a social compact, also somewhat imperfect, may have existed in the 1960s, but was all but gone by the early 1970s. As a result, there has been all too often an adversarial stance to US philanthropic support for public policy that implicitly, if not explicitly, sees the public sector as the enemy. This hardly leads to a constructive dialogue with the public sector and it is here that we can learn a great deal from our European colleagues. Having said that, the task in the United States is to rebuild its social compact, while the task in Europe is to find ways to integrate its newcomer populations into the existing social compact so that they will have a vested interest in their new homes.

A *second issue* being faced by both European philanthropic institutions and those in the US is what I would label as ‘donor infrastructure support fatigue’. It is incomprehensible to me that the for-profit sector would fail to support the infrastructure that provides it with services, represents it to the policy-makers and the public, and protects it in times of

crisis. Yet that is exactly the case for civil society and the philanthropic subsector of civil society on both sides of the Atlantic. Beyond the paying of dues, usually grudgingly, there has never been a large number of foundations willing to see support for the infrastructure organizations of the sector as a programmatic priority in either place. This puts us in a mode of responding to each crisis as it comes along and increases our vulnerability.

The almost two decades of plenty at the end of the 20th century in the United States allowed us to let infrastructure organizations develop without any concern for their long-term sustainability or their redundancy. These days are over and a shake-out is under way. Some organizations will cease to exist, some will have to get used to existing on a smaller budget, some will have to craft strategic alliances, and others will undergo friendly and perhaps not so friendly mergers.

It will be a difficult period because no one wants to give up the corner office. As I mentioned earlier, the community of members that make up the EFC faced and passed an important test at this meeting in their decision to move towards providing an adequate level of support for the institution. But, more broadly, the European scene is not yet over-saturated with infrastructure organizations and it can learn from the undisciplined growth of infrastructure in the US to craft a more rational set of infrastructure organizations for Europe.

As an aside, this may be a moment when a win-win strategy exists for the EFC. As a number of US foundations begin to take on a more appropriate financial role with the EFC, it may be possible to have them exit their earlier role with a contribution to the creation of a working capital reserve for the EFC.

A third issue that faces organized philanthropy in both the United States and in Europe, and one that perplexes me a great deal, is our penchant to try and discredit each other by attacking all the mechanisms of organized philanthropy except the one we are wedded to. Traditional foundations with endowments in perpetuity look at the new breed of foundations and suggest they are either immature or old wine in new bottles. The new breed criticizes the old for being too rigid, over-bureaucratized, and plodding.

An article in the *Wall Street Journal* a few months ago on the Gates Foundation ended with the sentence that the Gates Foundation's greatest fear was that it would become like the Ford Foundation. Now, was that just the throw-away line used by a reporter to spice things up or do they really believe that at Gates? And if so, just what does it mean? Certainly, we have more important things to direct our attention to than the unnecessary beating up on each other. If you'll remember the definition of philanthropy I suggested earlier, it was the voluntary capture of private wealth for public benefit. If you accept that definition, then it stands to reason that the broader the menu of philanthropic mechanisms, the greater the chance that people will find one that suits them for their philanthropic purposes. The last thing we need to do is unnecessarily narrow the choices available.

I know that many Europeans are tired of hearing this, but let me risk antagonizing some of my colleagues by putting a *fourth issue* on the table, and that is the issue of diversity. There is little question in my mind that for the most part philanthropic institutions in the United States have gone much further than their counterparts in Europe in ensuring that they more closely mirror in terms of gender, ethnicity, race and national origin the wider population and the population served. This is more pronounced in independent foundations and corporate foundations than in family foundations and, ironically, community foundations, and it is more prevalent at the staff level than at the trustee level.

There is no conflict between excellence and diversity because the wider the selection pool, the broader the array of talent from which to choose. It is the fair thing to do and fairness needs no special justification. Let me tell you a story. When I joined the Ford Foundation in 1971, had someone said 'let's put a gender lens on that issue', we would not have had a clue what they were talking about. We assumed, for example, that men did most of the work in rural areas in the developing South. Not only was that not true, but we designed our rural development interventions and policy on the false assumption, leading to its general ineffectiveness.

Many of you saw in an Op-ed piece at this conference that appeared in the *Guardian* by my former boss, Susan Berresford. The Op-ed piece pointed to the enhanced media scrutiny we all find ourselves under and discussed how a number of activities in the United States and Europe had raised the bar of accountability. It made the sharp point that this was our best protection against bad behaviour that could lead to onerous regulation. The number of free riders watching from the sidelines had to be reduced. I want to push this point further to say that if accountability was the call of the last decade of the 20th century and the beginning of the new millennium, then as we move into the new millennium, the mantra seem to be impact. And that is the *fifth issue* I want to highlight today that both European and US philanthropic institutions face.

We live in a time when the resources to do the things society demands are scarce. The public sector is on the lookout for ways to enhance its resource accumulation and one of the safeguards we will have as a sector for continued preferential tax treatment will be our ability to demonstrate programmatic impact. We need to move beyond anecdotes to more sophisticated measures of impact. In so doing, I hope we will not lose our ability to tell a good story in our quest to quantify. Qualitative data is still important and remember, Einstein himself said, and this is a paraphrase, *not everything that counts can be counted and not everything that can be counted counts*.

As an aside, and here I run the risk of alienating the investment officers of the foundations on both sides of the Atlantic, we will increasingly be called upon to demonstrate how the ever-growing assets in our collective endowments contribute to the public benefit. The old justification that we invest our assets to maximize a return and use that to further programme objectives will not be sufficient. At the very least, we will have to be able to show that what we do on the programme side of the house is not negated by the way we invest the assets of the foundations.

Building on the point of impact, the *sixth issue* I want to point to is research. In both the United States and in Europe, there is a tendency in philanthropic institutions to be drawn to supporting practice, but to be lukewarm about funding research. That is particularly true if the research is about our sector itself, trying to determine its scale and its diversity. You must have the numbers to strengthen your voice in the public policy arena. And you must be able to disaggregate the data to get at impact. European philanthropic institutions seem to be working up to this point and I was happy to see it highlighted at this conference. In the United States, I fear that we are going to sleep when it comes to supporting research.

I would like to suggest one *final issue* by way of a conclusion and it is an issue very close to my heart. It has to do with funding international activities, particularly in transitional societies and in the South, whether that is done through supporting US and European institutions that work in these areas or by reaching across borders to directly fund institutions in these areas. There is no question that post-World War II US philanthropic institutions have a larger and deeper history of funding in this arena, but in the past 20 years European philanthropic institutions have become, and continue to become, much more active. While somewhere between 12 per cent and 15 per cent, depending on who's doing the counting, of US organized philanthropy dollars go to support international activities, it has been an assumption that much less than that is the case with organized philanthropy in Europe. Preliminary figures suggest that it might be as high as 10 per cent or more in Europe so the gap, if it exists, is narrowing.

It is true, however, that our styles may be a bit different in how we fund international activities. US funders tend to be more flexible about core support and European funders seem to be more rigid when it comes to financial monitoring. US funds seem to be more enamoured of posing large schemes while European funders seem to be practical and methodical in their building on a step-by-step approach.

Having said that, my sense is that the discovery of the institutions of civil society by public foreign aid may have done more harm than good, for two reasons. The first is that the level of funds provided often exceeds the capacity of the institution to absorb them and the decision to bypass the government lets these governments off the hook as far as keeping the pressure on improving governance practices.

We, philanthropic institutions in Europe and in the US, need to reclaim the primary role of funding civil society in transitional societies and in the global South. But the only way for us to bring the necessary level of resources to bear on the issues is to collaborate with one another. That is our challenge in the new millennium and the opportunity before us. I hope we will take the bait.

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