SCENESETTER

DEVELOPMENT'S CHANGING FACE: NEW PLAYERS, OLD CHALLENGES, FRESH OPPORTUNITIES

Lael Brainard and Derek Chollet*

From a bureaucratic backwater in the waning days of the Cold War, the fight against global poverty has become one of the hottest tickets on the global agenda – with rock stars, world leaders, and newly minted billionaires calling attention to the plight of the poor at international confabs such as the World Economic Forum and the Clinton Global Initiative. The cozy, all-of-a-kind club of rich country officials who for decades dominated the development agenda has given way to a profusion of mega philanthropists, new bilaterals such as China, "celanthropists" and super-charged advocacy networks vying to solve the world's toughest problems. The broader public is answering the call to action – as evidenced by the abundance of white "make poverty history" wristbands, a cyber-enabled spike in individual charitable giving at all income levels, record involvement in overseas volunteering, and the massive audience for the U.S. television special, *American Idol – Idol Gives Back*.

While philanthropic foundations and celebrity goodwill ambassadors have been part of the charitable landscape for many years, the explosion in the givers' wealth, the messaging leverage associated with new media and social networking, and the new flows of assistance from developing country donors and diasporas together herald a new era of global action on poverty. There is much to celebrate about this new outpouring of support, but also much to learn to ensure that this wave of generosity yields lasting and widespread improvements to the lives and prospects of the world's poorest rather than succumbing to the usual cycles of activism followed by disengagement. While the new players bring fresh energy, resources,

* The authors would like to thank Abigail Jones for excellent research assistance.

and ingenuity to bear, there is a risk they will repeat the mistakes of earlier generations, falling prey to the Christopher Columbus fallacy: just because it is new to you does not mean it is truly new.

During the Cold War and postcolonial era of giving in the 1960s and 70s, roughly 38 official bilateral and multilateral donors disbursed on average $43 billion (in 2005 dollars) per year. Today, there are hundreds of entities spread across a much larger group of countries disbursing $162 billion (net of debt relief) per year. If the earlier era has been described as a cartel, today's crowded field is often described as a competitive marketplace. But competition to what end? In a conventional market, competition drives down costs and improves service offerings as producers compete to win consumer loyalty and spending. In the competition for development, performance and accountability are in the eyes of the rich country taxpayers and philanthropists who foot the bill rather than the poor consumers who are the intended beneficiaries. As a result, there is no guarantee that increased competition will necessarily deliver improved outcomes.

While some worry about the proliferation of actors and the oversimplification of messages such as *Make Poverty History*, the new players undeniably bring powerful new tools and perspectives to the fight against global poverty. Many first generation mega philanthropists who achieved breathtaking success in the commercial marketplace are pioneering new models of venture philanthropy that seek to blend the best of both worlds. Others are engaging in knowledge philanthropy – investing in the development and deployment of powerful new technologies to overcome the burdens of disease, malnutrition, poor water and sanitation, marginal agriculture, and unreliable power that encumber the lives of the poor. Still other philanthropists are setting their sights on social and political transformation, empowering local actors who seek to transform societies where ingrained corruption and unaccountable regimes have held back progress for generations or where entrenched interests have obscured growing dangers to the environment. Hardheaded notions of scalability and sustainability are moving from corporate boardrooms to community development projects. And while one might cast a cynical eye on the latest celebrity to take up a good cause as part of a publicity makeover, full due must be given to the power of unconventional coalitions (Bono and the Pope), star-studded celebrities, and internet-enabled messaging in delivering public support for debt relief and the fight against HIV/AIDS after years of inaction.

Against this profusion of good intentions, good ideas, and abundant resources, are traditional donors misguided in their preoccupation with conditionality, selectivity, and coordination? What about the experts worrying about wasted money and lack of impact assessments and accountability? And one can only imagine the mixed emotions of host government officials torn between the need for additional resources on the one hand and the additional burdens associated with donor proliferation.

The official donors have recently begun moving away (albeit unevenly) from primarily politically dominated foreign aid to allocations based on transparent measures of need as well as policy and institutional assessments, through mechanisms such as the U.S. Millennium Challenge Corporation and the World Bank's performance-based allocation system. Now the rapid growth in resources from both private and new official donors threatens to dilute the incentives for institutional and policy reform associated with such selectivity.

Similarly, in response to numerous studies highlighting the burden on recipients imposed by multiple donors—the transaction costs of arranging ministry visits, staff time consumed in detailed reporting according to each donor's specifications, and the need to reconcile different donors' competing priorities—the official sector is starting to implement workable solutions building on innovations undertaken by recipient governments such as Uganda and Tanzania. How will the new recipient and donor coordination mechanisms such as the OECD DAC and recipient-led coordination forums incorporate the new developing country bilateral donors and the proliferation of private givers? And will the new actors themselves be willing to adopt internationally agreed practices?

For while new players and old may share the same broad goals of improving the well being of the poor, they differ mightily in their specific objectives, their capabilities, and their metrics to evaluate success. If these diverse players learn to collaborate effectively in partnerships and networks that cross the traditional boundaries between the public, private, and nongovernmental sectors, their efforts could amount to more than the sum of the parts. But to do so will require bridging differences in objectives, exploiting complementarities between capabilities, adopting common methods for assessing effectiveness, and engaging actively in coordination. One thing is clear: with the magnitude of funding from nontraditional sources now exceeding 60 percent of official funding (net of debt relief) by some calculations, the new and old funders will need to reach some kind of accommodation or risk undermining their own stated goals.

* * *

The 2007 meeting of the Brookings Blum Roundtable will explore development's changing face, drawing on the perspectives of some of the leading new players as well as those with experience in the official sector and those engaged in cross-cutting analysis. By examining the common challenges faced by all development players—accountability, effective deployment of resources, agenda-setting, and achieving scale and sustainability—this year's Roundtable is designed to spur effective practices and establish foundations for collaboration among the expanding field of players who share a commitment to lifting the lives of the world's poor.

On the first day, Session I will set the table for the discussions, sketching recent trends in assistance strategies and objectives and exploring how these might make a difference over the next decade. It will provide a mapping to understand the relative reach and magnitude of the new and old funding sources. Session II will explore the emergence of key players whose impact has been greatly magnified in recent years by new media and technologies: the advocacy networks and celebrities who together are capturing the public imagination and building grassroots support for the fight against poverty.

On the second day, Session III will begin by unpacking the complex relationship between technology, knowledge, and development, exploring the potential for tailored technologies and knowledge to materially improve the prospects of the poor, as well as the institutional environments critical to their successful deployment. In Session IV, Mary

Robinson will lead a discussion of one of the most dynamic areas of the new development landscape: how social enterprises and the private sector are working together to catalyze sustained social change.

The final day will focus on the challenges that must be met in order to ensure both new and old players achieve maximum impact. Session V will ask to whom these new players should be accountable and what mechanisms are needed to implement such accountability, which today is at best a self-imposed patchwork and at worst wholly lacking. Session VI will conclude by examining the challenges the new development players bring to the coordination of assistance and principles of selectivity, as well as the extent to which they might adopt common methods to assess the impact they are having on the lives of the poorest.

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

Once the nearly exclusive purview of development officials and learned experts, the fight against poverty has become one of the most popular "causes" of the 21st century, attracting a cacophony of new voices and players. From billionaires and technology wizards to politicians, preachers and rock stars, the new actors have emerged as a major force in global aid and development because of their mammoth resources and innovative tactics. Add to this the increasing role that rising powers like China are seeking to play in resource-rich Africa, and it should be clear that the development landscape is undergoing fundamental transformation. Assessing the contours of this new community, *The Economist's* Matthew Bishop points out that "the contrast could hardly be starker with the somber white male bureaucrats in smoke-filled rooms who created the main pillars of the post-War aid and development system."[1]

The increasingly competitive field is causing even the most established players to improve their game and reexamine their role. Within the official sector, established broad-based donors like the World Bank are finding themselves operating alongside "south-to-south" bilateral donors as well as single issue vertical funds like the Global Fund to Fight AIDS, Tuberculosis, and Malaria. Meanwhile, well-established private foundations like the Rockefeller Foundation, which in its early years spent more on foreign aid than the U.S. government, are now revamping to better leverage their intellectual and financial assets in the face of larger newcomers, while the internet is enabling the participation of a new generation of givers at the grassroots level.

In the midst of such a dramatic transformation, it is sometimes easy to cheerlead or dismiss without taking a serious look at exactly what the new players are bringing to the table and the impact they are having – including the possible unintended consequences of their actions. Many of the new players enter the field unburdened by the weight of conventional wisdom and blessed by tremendous confidence in their own capacity to achieve success on an outsized scale. By taking development outside the realm of the cognoscenti and bringing practices and approaches from other fields, they are more likely to engage in fundamental

---

1 See Matthew Bishop, "Fighting Global Poverty: Who'll be Relevant in 2020?," in this volume.

innovation and out-of-the-box thinking. Many of the newcomers are less constrained than governments by rules and regulations, or even than their private sector predecessors are by the oversight of corporate or foundation boards, which should free them to pioneer activities at the riskier end of the spectrum, where official agencies are loathe to operate. The business, financial, and media roots of the new players also makes them prone to sector blurring, with financiers investing in social enterprises and philanthropists looking for ways to seed indigenous business enterprises. Meanwhile, a growing group of philanthropists is investing in advocacy and agenda setting for social transformation rather than charity. The proliferation and diversity of the new actors alongside the old is also leading to new partnerships and coalitions—many on an ad hoc basis—to take on specific challenges such as HIV/AIDS.

While flexibility, innovation, and collaboration are welcome improvements in the sometimes stodgy field of development, the jury is still out on whether the whole will amount to more than the sum of its parts. Although ad hoc coalitions may be the ideal mechanism for catalyzing action in a critically neglected area, they may prove unable to deliver sustained value unless institutionalized. Similarly, pioneering approaches at the riskier end of the spectrum will only be taken to scale and sustained if their impact is evaluated using common metrics, the results widely disseminated, and a hand-off to official entities successfully achieved. Inevitably, there is a danger that some of the innovation will turn out to be a repeat of mistakes long ago learned and abandoned by official entities.

One way of assessing the vectors of change is to explore what the development landscape might look like in 2020 and beyond. Some foresee a future scenario where the official aid sector is subsumed by a combination of well-funded private charities and a vibrant private sector. In part, this trend might be driven by shortfalls in meeting existing demands; as Wolfensohn Center scholar Homi Kharas points out, "The gap between poor countries' pressing development needs and official development aid has created financial and institutional space for new aid givers." Others sketch a future scenario where traditional aid institutions successfully adapt to the increasingly competitive environment, attempting to maximize coordination and scale by pooling resources.[2] Understanding how such future scenarios might come about—and the pros and cons of each—should shape policies today.

Analysis of the sources and uses of assistance highlights a glaring gap in information between the public and private sectors. While established official donors participate in a unified and relatively uniform reporting system that allows analysts to net out administrative overheads and technical assistance spending, data on private giving is patchy and inconsistent—especially outside the U.S.—and information on the uses of funds is almost nonexistent. One thing is clear: the debate should emphasize not only the need for more resources in absolute terms but also better practices that result in a greater share of aid resources directly touching the lives of the poor. Despite the G8's recent recommitment to double aid to sub-Saharan Africa, Kharas estimates that only $12 billion of development aid goes to the region in the form of funds that can be used to invest in social and infrastructure

[2] See Tim Harford, Michael Klein, and Klaus Tilmes, "The Future of Aid 1," *Public Policy for the Private Sector*, The World Bank, Note Number 284, March 2005; and Tim Harford and Michael Klein, "The Future of Aid 2," *Public Policy for the Private Sector*, The World Bank, Note Number 285, March 2005.

development programs. Astonishingly, this is roughly the same magnitude as the aid received by these countries 22 years ago.[3]

Columbia economist Jeffrey Sachs has argued that by pooling their resources, today's billionaires could "outflank the world's governments in ending poverty and pandemic disease."[4] Although perhaps true in terms of absolute resource flows, the quality of aid practices will continue to determine the impact on the ground, and governments and international institutions will retain an enduring role.

Key Questions:

- *What strengths do the new actors bring to the table? What weaknesses?*
- *What are the innovations the new players have pioneered so far? Are there examples of costly mistakes?*
- *Are there risks that the proliferation of actors will dictate trends to such a degree that some disasters, regions, or sectors receive a disproportionately high share of resources?*

SESSION II: ANGELINA, BONO, AND ME: NEW VEHICLES TO ENGAGE THE PUBLIC

Future Brookings Blum Roundtable meetings might look back on our era as the "age of celanthropy." In recent years, academics, activists, advocacy networks, and social enterprises have become more comfortable with direct action on global problems, opting to bypass the official institutions. Often fueled by celebrity appeals to the public and the "voice" power of internet communities on issues ranging from fair trade to debt relief, these organizations have catalyzed an indispensable player in the international development arena: the general public.

While celebrity involvement in international development is not new (over twenty years ago, rock stars drew attention to famine in Ethiopia), there are a number of factors that have given celebrities a far greater influence in the current era. The convergence of new technologies, coupled with an exploding celebrity culture and deepening disillusionment with official figures, has thrust celebrities into the development mainstream. Their demonstrated ability to raise money, attract media attention, reach new audiences, and shape public opinion has generally served the development cause well. Indeed, several have had huge success influencing the official donors and government leaders. In 2005, U2 front man Bono helped convince world leaders at the G8 summit in Gleneagles to forgive a portion of Africa's multilateral debts. And a number of Hollywood celebrities have focused public attention on humanitarian crises such as HIV/AIDS and the conflict in Darfur.[5]

These campaigns owe a significant debt to the success of Jubilee 2000, which CGD economists Nancy Birdsall and John Williamson have called "by far the most successful industrial-country movement aimed at combating world poverty for many years, perhaps in

[3] See Homi Kharas, "The New Reality of Aid," in this volume.
[4] Jeffrey Sachs, "Sharing the Wealth," *Time*, May 21, 2007, P 81.
[5] See Darrell M. West, "Angelina, Mia, and Bono: Celebrities and International Development," in this volume.

all recorded history."[6] From its pioneering use of the Internet to its strategic use of celebrity and its diffuse network structure, the Jubilee 2000 campaign provides a successful model for other movements—though it is likely success was attributable in part to the absence of significant domestic opposition and the relatively low cost to donors. Regardless, the Jubilee 2000 campaign illustrated the tremendous potential of energizing a broad public constituency in support of global development.

In addition to lending their voice to issue-driven campaigns, the public has become an active participant in financing development and a growing participant in on the ground development activities. Individual donations from the United States to the developing world have surged to $6.3 billion, and innovative models promise to further facilitate this exchange.[7] Kiva.org and GlobalGiving have harnessed the power of the Internet to connect grassroots philanthropists to social enterprises in the developing world. In addition, more than 50,000 Americans volunteer their time in overseas service each year, returning home with a profound understanding of the challenges faced by poor communities around the world.[8]

The private sector is also fostering consumer involvement though innovative sector-blurring partnerships. For instance, (PRODUCT) RED has reached out to consumers through brands as disparate as the Gap, Apple, Converse (owned by Nike), Motorola, and American Express. Through profits made on these brands' RED product lines, the organization has channeled over $19.6 million through the Global Fund to Rwanda and Swaziland to provide antiretroviral drugs to AIDS patients and childcare to AIDS orphans. (PRODUCT) RED Co-founders Bobby Shriver and Bono have created a self-sustaining campaign that promotes greater awareness of the needs of the world's poorest while providing individuals with an avenue to make a difference by simply buying the products. As Shriver explains, "RED is not a charity. It is simply a business model. You buy the RED stuff. We buy the [anti-retroviral] pills and distribute them… It's easy. All you have to do is upgrade your choice."[9]

The powerful combination of star power, internet enabled networks, faith-based mobilization, and savvy political skills has demonstrated its muscle, mobilizing an energized constituency in support of development goals to an extent never seen before. However, as this movement matures and expands its reach, it will face more difficult tests. To date, the advocacy networks have proven far more effective in instances of humanitarian crisis such as HIV/AIDS or Darfur, where the face of human suffering is a powerful motivator for grassroots engagement, than on trade liberalization or dismantling agricultural subsidies, where domestic opposition is strong and the connection to poverty not as clear. Advocacy lends itself to simple and sometimes simplistic messaging but is far less amenable to telling a complicated story – such as the case for long term investments in an economy's productive

[6] Quoted in Joshua Busby, "Is There a Constituency for Global Poverty? Jubilee 2000 and the Future of Development Advocacy," in this volume.
[7] OECD/DAC. This figure is based on U.S. net grants by NGOs to Part I developing countries based on OECD definitions. While it is believed to have the most reliable figure, no one has developed an accurate methodology and the OECD most likely underestimates the total.
[8] See the Brookings Initiative on International Volunteering and Service http://www.brookings.edu/global/volunteer/
[9] Quoted in Alan Beattie, "Spend, Spend, Spend. Save, Save, Save," *Financial Times*, January 26, 2007.

capacity and the need for institutional reform. Finally, there is a question of attention span. So far, the campaigns have focused on near-term achievable black-and-white goals such as getting the miserly G8 to drop debt that should never have been extended in the first place or doubling the number of poor people receiving AIDS drugs that had been jealously guarded by pharmaceutical companies. But can a campaign achieve success where there is no Hollywood storyline – no heroes and villains and conclusive triumphs, only the slow struggle of well meaning people to overcome the vagaries of nature and set the stage for future generations to lead modestly better lives?

Key Questions:

- *How have celebrity advocates changed patterns within global giving and brought the general public into the development debate? What is the media's role?*
- *What are the benefits and corresponding risks associated with celebrity engagement in development issues?*
- *What are the benefits and risks associated with bringing the general public into this discussion?*

SESSION III: LEVERAGING KNOWLEDGE FOR DEVELOPMENT

While some point to the stubborn income gap between rich and poor as evidence of the abysmal record of development, the income statistics obscure some stunning successes on life expectancy, child survival, nutritional outcomes, and education. Indeed, while the poorest three fifths of the world's population still command per capita income less than 12 percent that of the richest fifth, life expectancy for the poorest fifth of the world increased from 53 percent of the richest fifth in 1960 to 87 percent in 1999 – even as the richest saw life expectancy rise from 69 to 76 years. Child survival for the poorest fifth has reached 80 percent of that for the richest fifth. And the caloric intake of the poorest has gone from 57 to 70 percent of the rich country benchmark over the past 4 decades. What accounts for the convergence of health, nutrition, and education outcomes while income remains stubbornly divergent? Speculatively, it appears that science and technology transmit a lot better than economic systems. Put differently, countries with a range of institutional capacities have achieved greater success in absorbing and adapting knowledge and technology in areas such as medicine, family planning, sanitation, nutrition, education, and agriculture than in raising overall productivity.[10]

Knowledge and technology can be powerful tools for development – yet too often, market incentives tend to stratify the benefits of technology between the global haves and have-nots. Leveraging technology to improve the lives of the poor requires express efforts to promote adaptation and widespread adoption. While some of the greatest triumphs in development have come from the dissemination of technologies developed for wealthy country populations to poor communities on a systematic basis (the elimination of smallpox), others have required the creation or adaptation of technologies to the specific conditions faced by poor communities (the development of green revolution seed varieties and irrigation techniques suitable to South Asia). With much of the world's poorest population concentrated in tropical areas, there is a pressing need to develop technology

[10] Lael Brainard, "Investing in Knowledge for Development: The Role of Science & Technology in the Fight against Global Poverty," AAAS Forum on Science and Technology Policy, 2005.

specifically for those areas rather than relying on transmission of agriculture and medicines developed for rich country markets located predominantly in temperate climates.

This will require changing incentives all the way through the systems for knowledge creation – from elevating the creation of solutions for the poor to a prestigious place in engineering curriculums in developing countries (such as India) and rich country university systems (such as Berkeley, MIT, and Columbia); to creating market incentives through innovations such as the Advanced Market Commitment mechanism designed by Harvard and Brookings economist Michael Kremer and advanced by the Gates Foundation; to restoring R&D budgets and science and technology personnel in key development agencies; to involving poor communities directly in technology adaptation and uptake through the distributed network model used by organizations such as Ashok Khosla's Development Alternatives Group.

The entry of new players promises to breathe fresh life into this agenda. Google is designing its development agenda to take advantage of its core competencies, emphasizing areas where expanding access to information can empower poor communities. In one innovative partnership, it is deploying Google Earth satellite technology in collaboration with the U.S. Holocaust Memorial Museum to illuminate the devastation wrought in Darfur.[11] Funding from Gates Global Health has helped to seed dozens of public-private partnerships that are researching new solutions to the so-called "neglected diseases" that disproportionately afflict the poor. Gates is now partnering with the Rockefeller Foundation in the hopes of reprising the role Rockefeller played in providing seed capital for the green revolution, with today's focus squarely on Africa. Private philanthropy is helping to introduce multi-disciplinary approaches to development in university settings such as the Earth Institute at Columbia University and the Richard C. Blum Center for Developing Economies at Berkeley.[12] And forums such as the annual Technology, Entertainment, and Design (TED) conference and InnoCentive are encouraging the establishment of collaborative innovation platforms, bringing together leading entrepreneurs, corporations, philanthropists, investors, and scientists to develop new models of delivering clean water, clean energy technologies, and new medicines to the poor.

The new generation of social entrepreneurs and hybrid ventures will be critical in bridging the gaps between innovation, community engagement, and sustainability that too often have diminished the transformative potential of research and technology. Nobel-prize winner Muhammed Yunus has adapted the Grameen microcredit lending model to spread the power of communications technology to help lift millions out of poverty. As Yunus describes it, "For the poor… science and technology are likely to have a far greater impact as they promise to provide new, important, even life-saving economic opportunities. I foresee the day, not far off, when there will be only one world--when a student sitting in a Bangladesh village can take a course at Harvard University through the Internet--a world in which everyone can have a voice that resonates through the great global village."[13]

---

[11] See http://www.ushmm.org/googleearth/projects/darfur/ .
[12] Eric Brewer, "Development and Engineering," in this volume.
[13] Muhammed Yunus, "Alleviating Poverty Through Technology," *Science* (October 1998): 409-410.

The One Laptop per Child program led by the MIT Learning Lab's Nicholas Negroponte, the PlayPumps technology that generates clean water from child's play, and Kick Start's innovative approach to developing and marketing new technologies started with the power of a compelling idea. All will require the support of private philanthropy and advocacy networks, the active engagement of community organizations,[14] and ultimately support from official donors or uptake by the corporate sector to achieve scale and change the lives of the poor on a sustained basis. Policy research also has a critical role in providing rigorous and standardized assessments of the impact on the well being of the poor relative to alternative approaches, disseminating findings to facilitate replication and going to scale, providing recommendations to fill gaps in the institutional environment, facilitating accountability, and shaping policy.

Without such critical partnerships and a favorable enabling environment, the promise of technology will remain elusive. As NYU and Brookings economist William Easterly usefully reminds us, "Beware of technological quick fixes. New technologies always make for great development storylines, whether they are new vaccines, or bed nets, or miracle drugs, or Internet connections that will bridge the 'digital divide.'...Regrettably, the experience of aid is that plenty of promising technologies exist but never reach many poor people." [15]

Key Questions:
- *In what areas are bottom up technology approaches likely to be most effective? For what challenges are large scale approaches to technology development more appropriate?*
- *How do we bridge the technology divide? What incentives for investment in technologies geared toward the developing world yield the best results?*
- *Given their respective capabilities, what is the best role for private philanthropy, government support, and corporate support in providing such incentives?*

SESSION IV: SOCIAL ENTERPRISE AND PRIVATE ENTERPRISE

How are the new sources of funding and advocacy-enabled public support translating into results on the ground? The field of "doers" is populated by a diverse group of public service providers, community organizations, delivery NGOs, donor agencies and their contractors, large corporations, and increasingly, Chinese infrastructure developers. But one class of practitioners has been singled out for special attention owing in part to strong resonance with the new generation of givers and recognition of the limitations of centralized, government-driven approaches to development.

There is increasing interest in "social entrepreneurs" – *changemakers* who bring to social endeavors the skills of innovation, leadership, teambuilding, persistence, and effective implementation that are required for success in pioneering successful businesses.[16] Bill Drayton, the founder and Chair of Ashoka, is often credited with coining the term, "social entrepreneur". His work is informed by a comprehensive theory of social change that

---

[14] Ashok Khosla, "Leveraging Knowledge to End Poverty," in this volume.
[15] William Easterly, "Four Ways to Spend $60 Billion Wisely," *The Washington Post*, July 2, 2006: B2.
[16] See David Bornstein, *How to Change the World: Social Entrepreneurs and the Power of Ideas* (Penguin, 2005).

revolves around supporting the development and success of such entrepreneurs, including by nurturing the development of capabilities necessary for successful entrepreneurship among youth. The founding of independent philanthropies by eBay veterans Jeffrey Skoll and Pierre Omidyar suggests the emergence of a new group of venture philanthropists akin to venture capitalists who are taking bets on the capacity of individual entrepreneurs to pioneer new models for achieving key social goals. Moreover, the emergence of intermediaries that provide seed capital to social enterprises, such as the Acumen Fund and the Grassroots Business Initiative, may be an early sign of the emergence of a new market segment similar to the evolution of microfinance.

In a related development, there is growing interest in blending philanthropic and market investments to seed the growth of indigenous businesses in the small and medium enterprise (SME) segment, which is too often starved for capital in poor countries. After all, the creation of jobs suitable to the local population and the provision of goods and services to poor communities are in themselves important social goals. Successful models will have to overcome the challenges of poorly established property rights, the absence of exit mechanisms characteristic of successful equity markets, and high transactions costs. Organizations such as Business Partners in Africa and the Small Enterprise Assistance Fund (SEAF) suggest that success is possible, but achieving scale and sustainability will require bridging the conventional divide between for-profit and charitable entities.

More broadly, as growing numbers of corporate leaders and successful business entrepreneurs jump into the development arena, the line dividing for-profit and not-for-profit entities is becoming fuzzy. Probably the most notorious example is Google's decision to establish a for-profit foundation—once a veritable oxymoron—to manage an endowment of $1 billion focusing on poverty alleviation, health, and the environment. Taking a very different approach, the Mexican multinational cement company Cemex has teamed up with local community groups in Mexico's slums to reduce the costs of expanding residents' dwellings, thereby creating a market for its cement among the large population of slum-dwellers, while also underwriting the community groups. It is unlikely Cemex would have been able to penetrate this market segment without the help of community groups who had earned the trust of the local residents.[17]

It is too early to tell whether social enterprise and blended ventures will evolve sustainable models to address poverty, although the odds seem good. The idea of using market forces in strategic ways to promote social improvements is not new. What is new, according to Duke scholar J. Gregory Dees, is the enthusiasm with which entrepreneurial, market-oriented approaches are being embraced as an integral element in creating social change. Yet in order to sustain these social enterprises and take them to scale, Dees argues, "we need better understanding of the institutional structures and supports that would allow [them] to thrive. If we can deepen our understanding in these ways, we may find a new approach to social change, one that strategically blends philanthropy and business."[18]

---

[17] Matthew Bishop, "The Rise of the Social Entrepreneur," *The Economist*, February 25, 2006, P 13.

[18] J.Gregory Dees, "Philanthropy and Enterprise: Harnessing the Power of Business and Entrepreneurship for Social Change," in this volume.

Key Questions:

- *What are the special capabilities and limitations of social enterprises and what role can they best play in the evolving development landscape?*
- *How/are official donors modifying their own approaches to support the work of social entrepreneurs and hybrid ventures?*
- *What changes in market infrastructure are critical to ensure a vibrant environment for social enterprise and business enterprises to thrive?*

SESSION V: EFFECTING CHANGE THROUGH ACCOUNTABLE CHANNELS

The proliferation of new actors and the dazzling growth in the volume of resources is raising new questions of accountability and democratic participation—or "voice." Simon Zadek, the CEO of AccountAbility, argues that accountability is the "DNA of civilized societies, and so also of meaningful development."[19] But most development accountability mechanisms were established to manage the old order dominated by governments and official donors. The question today is whether and which new accountability mechanisms should be established and by whom and to whom. Questions of accountability are too often oriented towards the provider of funds rather than the communities the development interventions seek to serve. Who should judge success: donors or recipients? Should the assessment be done by independent watchdogs, and if so, who? And, importantly: what should be assessed?

Some worry about a possible tension between accountability and agility. Indeed, some of the new development actors' strengths – ability to maneuver quickly, experiment with new practices, and take advantage of breakthrough innovations – reflect their freedom from the checks and balances that shape democratic governance. As *The Economist's* Matthew Bishop explains, "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."[20] Greater accountability imposes added operating costs and visibility -- which may constrain how new actors operate in the developing world. In the words of Virginia Polytechnic's Alnoor Ibrahim, "I think it's a general assumption that the more rigorous you can make performance measurement, the better. And in principle that's not a bad idea. But in reality it takes scarce resources away. So there's an opportunity cost."[21]

But the limits of this line of reasoning are easy to see: less accountability often means a greater likelihood of wasteful and ineffective programs that might do more harm than good. If one agrees that greater accountability is a requisite for better development, then the question is what shape it should take and how best to minimize the tension between being accountable and being entrepreneurial. At minimum, there should be mechanisms to ensure against malfeasance like fraud, theft and waste. But there should also be ways to measure effectiveness. "The problem with philanthropy today is that too much attention is

---

[19] Simon Zadek, "Accountability Compacts: Collaborative Governance for the 21st Century," in this volume.
[20] Matthew Bishop, "Fighting Global Poverty: Who'll be Relevant in 2020?," in this volume.
[21] Quoted in Jon Christensen, "Asking the Do-Gooders to Prove They Do Good," *New York Times*, January 3, 2004.

focused on counting receipts and too little on outcomes," argues Eric Thurman, CEO of Geneva Global. "Philanthropy, like business, should have a bottom-line."[22]

In recent years, a variety of new accountability mechanisms have been pioneered, ranging from Publish What You Pay and the Extractive Industry Transparency Initiative (EITI) governing resource revenues, the Equator Principles governing project finance, the Forest Stewardship Council governing sustainable forest products, and the Global Reporting Initiative providing standards for sustainability reporting. In almost all cases, participation is voluntary, and in some cases self-reporting remains predominant. Official donors have agreed on common standards governing environmental impact and social impact and have reached common understandings regarding the appropriate roles for grantmaking as opposed to lending. As China extends its development footprint, there is growing concern that it be held to account by the same standards.

Both AccountAbility's Zadek and Harvard and Brookings expert Jane Nelson suggest that traditional and new development actors should work together to achieve "mutual accountability", building mechanisms that seek to share responsibility and help empower aid recipients to be greater stakeholders in these efforts.[23] Collective or mutual accountability starts by forging agreement among diverse actors on the goal, specifying the different contributions that each participant in a cross-sectoral partnership or network will make, recognizing their interdependence, and holding each partner responsible to the others laterally—in contrast to the conventional hierarchical approach.

Empowering aid recipients to hold service providers accountable dovetails with a broader agenda of strengthening the accountability infrastructure in developing countries and hence the quality of governance. Initiatives such as OSI's Revenue Watch and the Hewlett/Brookings Transparency and Accountability Project aim to strengthen independent civil society watchdog organizations and think tanks to monitor and analyze public spending and revenues, arming the media and citizen groups with data and analysis to demand accountability. Oddly, while donor governments have traditionally demanded accountability to their own taxpayers and parliaments, they have largely overlooked this critical opportunity to strengthen governance in developing countries.

Key Questions:

- *How should multilateral development banks, NGOs, faith-based organizations, foundations, and the private sector be held accountable for their engagement in the developing world? To whom?*
- *What about China and Russia in their role as donors?*
- *Should foundations and social enterprises disclose their "prices," cost per unit, or profit margins?*
- *Can social enterprises ever be as accountable as their public-sector counterparts?*

[22] Eric Thurman, "Performance Philanthropy: Bringing Accountability to Charitable Giving," *Harvard International Review* (Spring 2006), p 18.
[23] Jane Nelson, "Effecting Change through Accountable Channels," in this volume.

SESSION VI: GLOBAL IMPACT: PHILANTHROPY CHANGING DEVELOPMENT

The new development marketplace is bringing together a diverse array of actors with vastly different objectives, capabilities, and concepts of success in pursuit of the same broad goals. Even when such diverse entities share the same broad goals, they may differ on how to get there and how to assess success.

The power—some would say imperialism – of the traditional market mechanism is the reduction of billions of complex transactions into a common metric along a relatively small handful of dimensions, most notably profits, costs, and prices. Even non-market side effects (so called externalities) can be addressed once monetized and integrated into the price system. No such common agreement or parsimony determines the right "bottom line" when fighting poverty with a diverse array of actors. Accurately measuring the impact of particular development interventions is inherently difficult because of the multiplicity of contributing factors, and players coming from the corporate, nongovernmental, philanthropic, and public sectors bring with them very different practices and approaches to assessment. [24] For many start-up social enterprises, the relevant data is often not collected and methodologies for analysis are often lacking even when it is.[25] Indeed, the most established official donors have been slow to undertake rigorous impact assessments (randomized trials, control groups) on a systematic basis, even when those techniques are routinely applied to their domestic programs.

An increasingly pluralist development landscape raises questions of where and how these new actors should engage as well as what, if any, strings should be attached to the assistance they provide. Traditional donors have sought to impose selectivity and conditionality to achieve maximum impact. But as the development community fragments, can we reasonably expect to coordinate these competing interests and agendas?

Brookings scholar and former IFC official Joseph O'Keefe describes the demise of the "consensus model" in which donors harmonize aid practices around a grand bargain in which "donor nations agree to honor their pledges to provide aid funds on time, while recipient nations agree to honor their pledges to make reforms, integrate aid flows into their budget planning processes, and track the outcomes of aid programs."[26] This model is breaking down in the face of an increasingly competitive field populated by mushrooming private foundations, a proliferation of vertical funds, and emerging donors like China and India, along with increasing flows of private capital into developing nations.

The more sources of assistance from which to choose, and the less coordinated their efforts are, the more tempting it is for recipients to go donor-shopping, thus avoiding the strictures of conditionality and selectivity. This diminishes the incentives to undertake difficult reforms (although it also makes recipients less vulnerable to the whims of certain donors).

---

[24] Mark R. Kramer, "Philanthropy, Aid, and Investment: Creating a Common Language," in this volume.
[25] Andrew Jack, "Beyond Charity: A New Generation Enters the Business of Doing Good," *Financial Times*, April 5, 2007.
[26] Joseph O'Keefe, "Aid - From Consensus to Competition?" in this volume.

On the flip side, the greater the number of possible funders and partners, the greater the burden imposed on recipients in terms of face-to-face meetings, idiosyncratic reporting and assessment requirements, and differences in donor-driven priorities. In recognition of the enormous opportunity cost associated with managing multiple donors, the last decade has seen rising emphasis on coordination among donors in support of "country ownership" – development strategies that reflect recipient priorities and plans. Some successful instances have built on coordination processes led by the recipients themselves—as in Uganda and Tanzania—while others have relied on coordination mechanisms agreed by official donors, such as the multilaterals' Poverty Reduction Strategy Papers. In some cases, such as the Global Fund, the large new players are already being integrated into coordination processes. But much greater effort will be needed to fully integrate the significant private players and new bilaterals into coordination mechanisms that have traditionally been confined to OECD official donors.

Finally, the appropriate balance between philanthropy and for-profit investment must be sorted out no less than that between the private and public sectors. There is a subtle but critical distinction between correcting for market failures and crowding out markets. While the official entities may have erred too much on the side of caution in recent years, there is a danger the new actors will swing too far back in the opposite direction. "If you have philanthropy essentially crowding out private capital or more commercially minded actors, then you're not going to [find] the kind of scale that you would otherwise see," argues Marnie Sigler, the director of investments at Omidyar Network in California.[27]

Developing workable solutions to the challenges of assessment, coordination, and conditionality will be critical for the new development players to achieve lasting success. As Oxfam's Ray Offenheiser puts it, to have a lasting positive impact in the fight against global poverty the new development community must become "more strategic, more structural in its analysis, more willing to assume risk and take on controversial issues, more invested in building durable institutions and creating leadership, more rights-based and more conscious of itself as an important public actor with a responsibility to exercise its voice through advocacy in democratic fora."[28] That is a tall order for even the most ambitious and energetic players.

Key Questions:

- *Which development player has the greatest impact per dollar on the developing world, and what can we learn from their work? How is this assessment derived?*
- *Are there standards for effectiveness and evaluation that can be universalized?*
- *How/Do philanthropic organizations weigh considerations of selectivity and conditionality when financing projects? To what extent do they make reference to official assistance standards?*
- *How has competition amongst the various development players changed the field? Are there instances where competition has benefited aid? What are the incentives for cooperation?*

---

[27] Quoted in Nicole Wallace and Ian Wilhelm, "Blending Business and Charity," *Chronicle of Philanthropy*, September 28, 2006.

[28] Ray Offenheiser, "Is There a Role for International Philanthropy in Addressing Issues of Global Poverty in the 21st Century?," presented at Princeton University on May 5, 2005.