



Edward Skloot

Living with the Gates Foundation The Gated Community

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The current endowment of the Gates Foundation is over \$37 billion. Every year, it must push out of the door grants and programme related investments equal to a sum larger than the entire endowments of all but about 15 other American foundations. Not only is it quantitatively distinct. The main task of this article is to demonstrate that by reason of its size, scale and style of operation, the Gates Foundation is also qualitatively different from any other foundation. Assuming that it is, then Gates' growing presence in all three sectors, as well as its ubiquity in the public domain, will inevitably alter how philanthropic leadership is perceived and how its impact is felt.

There are a number of things that make the Gates Foundation different in kind, not just in degree, from other foundations. One is sheer size. When Warren Buffett threw in his philanthropic lot with the Gateses, what was already an institution almost three times the size of its next-largest US rival^[1] became a grantmaking behemoth. It is simply too big to grant small. Moreover, because of the terms of the Buffett gift and IRS payout rules, it is obliged to pay out approximately \$3 billion a year. It is on an unstoppable philanthropic treadmill. The foundation's staff, now approaching 1,000 employees, is certain to grow in the future. That number alone is a tremendous management challenge for which no philanthropic precedents exist.

Bill Gates's decision in 2008 to step away from substantive engagement in the operations of Microsoft and to devote his energies to the foundation has galvanized an already large, energetic institution. Such a transformation may make success more plausible, but it also raises serious concerns over the use of money, power, personality and media for the public good. The Gates Foundation is now a leading change agent – and deliberately so.

Minimally regulated by state and federal agencies, foundations are notoriously free of disciplinary pressures of any kind. Some argue that such virtual immunity represents foundations' greatest strength: the freedom to take chances, to think big, to innovate, to be, in the words of the late Paul Ylvisaker of the Ford Foundation, 'society's passing gear'. The trouble is that most foundations don't take chances. They don't think big, and they rarely innovate. They're more like society's neutral gear.

Not so the Gates Foundation. It differs from the institutional norm in almost every way: in size, ambition, high-level connections, proactivity, long-term commitment, operational engagement, and public leadership. The foundation has the capacity to stimulate the marketplace of ideas and initiate or even derail large programmes.

One important aspect of this profile is the highly visible public appearances made by both Bill and Melinda Gates. Unlike most philanthropists who prefer to stay in the background and let their grantees speak on their behalf, the Gateses are relentless in their personal advocacy. Their public statements are calculated for maximum impact, and they use all forms of old and new media to get their points across. Two cases in point: the Giving Pledge, by which Warren Buffett and the Gateses, by the use of near-royal command, are hoping to influence their fellow rich to give half their fortunes away (69 pledges to date), and, more controversially, Bill Gates' recent, widely reported TED appearance in which he placed the blame for state budgetary woes on employee healthcare and retirement packages.

Intervening publicly in high-stakes political and social debates is an inherently risky strategy. Not only can it ensnare a single foundation in controversy or conflict, it can also change the way all foundations are perceived at various levels of government or by the general public. For better or worse, the Gates Foundation is the new standard-bearer and lightning rod for the funder community and its actions will colour the picture of philanthropy.

Unlike the typically cautious, controversy-shy foundations that populate so much of organized philanthropy, the Gates Foundation resembles a competitive, dynamic, marketing-savvy, private-sector corporation with a very large war chest. A corporation that's driven to dominate its chosen fields. A corporation, come to think of it, that looks and acts like Microsoft.

Gates in action: the Global Health Program

Gates dominates international grantmaking. Joan Spero estimates that in 2008 (the latest available figures) Gates made 44.4 per cent of all international grants by US foundations, totalling over \$2.7 billion, [2] of which the Global Health Program has received the lion's share (almost 60 per cent) of annual grantmaking, largely targeted towards sub-Saharan Africa.

To date, the foundation has poured \$4.5 billion into vaccine R&D, and in January 2010 Bill Gates announced that the foundation would more than double its spending on vaccines over the next decade, to at least \$10 billion. The following June, Gates and its partners committed another \$4.3 billion to immunize as many as 243 million people by 2015.

Simultaneously, the foundation is assiduous in organizing and promoting international consortia to work on drug R&D in global public health. It has advocated for, and heavily funded, the development of an AIDS vaccine. It also works on vaccine development with international pharmaceutical companies such as GlaxoSmithKline and Merck. In partnership with national governments, the Clinton Health Access Initiative, international NGOs and other major players, Gates has directly intervened in the global market for drugs, driving down the prices of vaccines and dramatically expanding their availability to the poor. [3] It has made the case that sales to developing countries must have different price points. It has pioneered the move to guarantee the purchase of vaccines not yet developed or commercialized, thereby incentivizing corporations to develop and manufacture vaccines which they feel have no viable market.

The programme's multifaceted approach – combining deep-pocket funding with advocacy, promotion, political and diplomatic engagement, media use, and on-the-ground teaching, research and execution – represents an unprecedented strategic onslaught for a collaboration of funders, much less a single one.

This public, extremely large, long-term commitment distinguishes the Gates Foundation from all of its philanthropic peers. Because of its size and influence, global health now represents the largest category of international funding by all US foundations – 39 per cent in 2008. [4] It also enables the foundation to dominate global public health programmes and steer them toward its choices. Its involvement has therefore generated both praise and criticism. In 2007, the head of malaria programmes for the World Health Organization complained that the foundation's dominance of malaria research risked wiping out the WHO's policy-making function. Other scientists have accused Gates of, in effect, 'creating its own WHO'. [5]

On the other hand, prior to the Gates Foundation's entry into the field, less than \$100 million was being spent annually on malaria research worldwide. From 2000 to 2008, Gates spent approximately \$1.2 billion on malaria. Nevertheless, tensions remain as the Gates-led initiative appears to have subordinated other approaches to its well-promoted solutions.

Gates in action: the US education programme

Work in education currently absorbs the largest share of the Gates Foundation's US Program budget. While specific actions differ from its implementation of its Global Health and Global Development Programs, there is remarkable similarity in the way it pursues its goals. For example, out of \$373 million spent on education in 2009, \$78 million went to advocacy. The president of the US Program, Allan Golston, recently stated that over the next five or six years the foundation intends to spend \$3.5 billion on educational change and will devote up to 15 per cent – over \$500 million – of that sum to advocacy.

Bill Gates has used the bully pulpit to advocate as forcefully for education reform as he has for vaccine development. An example is his widely publicized speech to the National Education Summit on High Schools early in 2005, when he declared that 'America's high schools are obsolete...even when they're working exactly as designed [they] cannot teach our kids what they need to know today'. [6]

Gates has taken a very large position in public education reform. [7] Between 2002 and 2008, the foundation allocated more than \$2 billion to make the case for, and then fund, the breaking up of large public high schools into smaller ones which would be able, it was asserted, to create better learning environments, help teachers and students teach and learn more effectively together, and create 'communities of learning' that would embody a complete cultural shift from the degraded and degrading educational environment.

Despite the paucity of hard evidence to support this assertion, with foundation support the small-schools programme became a cornerstone of thinking in the minds of many educational reformers, planners and administrators. The foundation became a market-maker. In six years, it funded the establishment of more than 2,600 schools in 45 states and the District of Columbia, reaching well over 750,000 students. [8]

However, despite some success in New York City, where the programme was more complex and robust than in other places, in 2008 the small schools programme was all but dropped. The foundation has never fully explained this turnabout, though Bill Gates' 2009 Annual Letter gave some hints. 'Many of the small schools we invested in did not improve students' achievement in any significant way,' he wrote. Although he acknowledged that 'a few of the schools that we funded achieved something amazing', the foundation concluded that small schools were the wrong causal lever to transform

troubled public schools. Its 'theory of change' seemed incorrect and was essentially dismissed. The small school initiative became leaderless and uncertain. The new silver bullets of choice appeared to be charter schools and more effective teachers.

Gates hasn't been alone in pressing for systemic change in the public educational system. Two other billion-dollar funders, the Eli and Edythe Broad Foundation and the Walton Family Foundation, have been equally aggressive. The three funders have sometimes collaborated on areas which include charter schools, standardized testing, national curricula, merit pay for teachers, reorganizing or closing underperforming schools, developing accurate data in and across funding sites, and improved management.

It can certainly be argued that education reform is so complex that only consortia of large, well-positioned change agents can make significant systems change in the public policy and schooling environment, but it is also legitimate to point out that when 'irresistible forces meet immovable objects' in the educational and political arena, more students may be hurt than helped. Nor did students and their families ask to be subjects in philanthropically driven educational experiments.

Conclusion: too big to fail?

These two examples of the Gates Foundation's mission focus and strategic implementation are clearly similar in approach despite their different subject matter. The Gates Foundation's programmes rest not just on relentless research and data analysis, but on the passion and conviction of their proponents. This mix of research, data, passion, conviction, planning and decision-making around staggeringly complex social problems, it can be argued, may be the *only* way to decisively alter the status quo.

But maybe not. What if the analysis or proposed solution(s) is incorrect, or supremely hard to implement, or even counterproductive? And who pays the price when others pay the freight? Or when donors decide that the game isn't worth the candle any longer?

The small schools initiative also raises the unanswerable question of how much philanthropic money, even billions of dollars' worth, can effectively accomplish. As large and talented as the staff of the foundation (and of its allies) are, trying to develop, course correct, and implement its mission on such a grand scale can also look like hermetic decision-making, uncertain or destabilizing implementation, and/or overreaching toward solutions it cannot deliver on.

What is clear is that the Gates Foundation is determined to use its knowledge and vast power to make systems change. When under way, the initiatives resemble complex military campaigns. The foundation drives on every identifiable front to execute its mission. It uses unprecedented amounts of money, focused research and coalitions of allied funders, governments, corporations and international NGOs to dominate the field and accomplish its purposes. It employs old and new media skilfully. It uses Bill and Melinda Gates' access to the corridors of power, whether at Davos or the US Department of Education, to forge agreements consonant with its goals. Is this Paul Ylvisaker's 'passing gear' writ large, or a large vehicle barreling down a policy highway, rolling over everything in its path? Or is it inescapably a mix of both?

Its visibility, energy, global involvement and huge financial commitment to its various causes virtually guarantee that the Gates Foundation will be found at or near the centre of many civic and social disputes. In addition, its very visibility, combined with its multi-platform advocacy, makes it an increasingly inviting, readily available target for those who oppose it.

The potentially profound impact of Gates Foundation initiatives on the lives of hundreds of millions of people also raises urgent questions of accountability. Despite its effort to consult with, and learn from, many external experts as well as recipients in the field, the foundation is not part of a democratic system of governance and not accountable to shareholders or stakeholders. Essentially, it runs enormous social-science experiments on large populations, many of whom have not consented to being experimented on (or from whom consent would be almost impossible to obtain).

That said, these experiments – in health research and delivery, in economic and social development, in education – may well produce social benefits unparalleled in history and may well forge pathways of beneficial change never before seen as even remotely possible. Thus, precisely because of its scale, size and capacity to *both* help and hurt, transparency in decision-making, openness in global and local operations, and frequent, candid reporting and discussion is very much needed. Those who believe in philanthropy as a force for good must be vigilant that the efforts receive a consonant amount of review, scrutiny and public discourse.

With years or decades needed to chart the success of the foundation's programmes, it will be necessary to take interim measurements to make essential course corrections. Such measurements can involve hundreds of important variables, and they are hard to keep in perspective and act on. Finding the delicate balance between faith in long-term impacts and ambiguous or conflicting short-term results; understanding that such great power can never bring total control or outrun unintended consequences; the laudable desire not to throw good money after bad; and the understandable reluctance to publicly admit mistakes or uncertainties – all will test CEO Jeff Raikes' conviction that failure is success by another name as long as one learns from it.

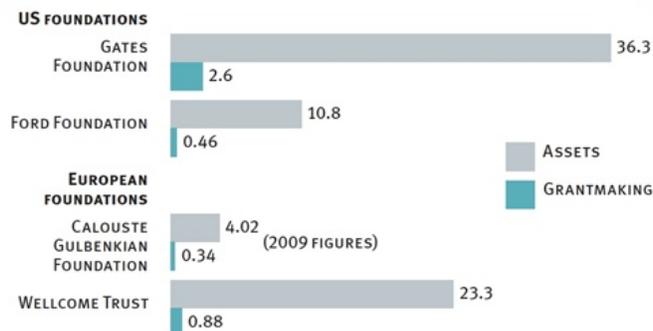
What is ultimately required is a constant effort to balance certitude with humility, visibility with reticence, and comprehensive planning with skilled, nimble execution. If that can become the DNA of the foundation, the chances for success in its bold, risky grantmaking will be maximized. Whether the foundation will prove experienced and skilled enough to incorporate and flip its failures, especially in view of its huge agenda, a history of lightning-fast growth and a historically high churn in programme staff, remains to be seen.

Whatever one's view of its operation, it is clear that the Gates Foundation is absolutely unique – a *spectacularly wealthy* organization of talented, determined and proactive individuals, energetically pursuing a vast, progressive, social-change mission. It has pushed well past the boundaries of traditional foundation behaviour, intervening in and influencing public policy on both domestic and international matters – for good or ill, or very likely for a mixture of both. It is like no other foundation seen since the emergence of modern philanthropy a century ago, and its behaviour will have consequences that will be felt for years to come.

1. The Ford Foundation's endowment in 2006 was around \$12 billion, while the UK-based Wellcome Trust had an endowment of £12.3 billion, according to the *Financial Times*.
2. Joan Spero, *The Global Role of US Foundations*, The Foundation Center, 2010, p 9
3. *New York Times*, 23/5/11
4. Spero, op cit, p10
5. *New York Times*, 16/2/08
6. www.admin.mtu.edu/ctld/Ed%20Psych%20Readings/BillGate.pdf
7. In 2007-08, the writer served as one of several paid consultants to the Gates Foundation in creating a major educational initiative focusing on community colleges.
8. Joanne Barkan, 'Got Dough? How billionaires rule our schools', *Dissent*, Winter 2011, p52.

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Foundations by asset size and grantmaking (2010 figures, unless otherwise stated; all figures in US\$ billion)



The Bill and Melinda Gates Foundation

Founded in 1994, the Bill and Melinda Gates Foundation has three principal programme areas:

- Global Development Program
- Global Health Program
- United States Program

The foundation has a set of 15 guiding principles, but the underpinning principle may be briefly stated in the following assertion of Bill and Melinda Gates: All lives have equal value and each individual should have the opportunity to succeed.

Some key facts and figures

- The Gates Foundation has an endowment of \$36.3 billion (30 June 2011).
- In 2006, Warren Buffett pledged to the Gates Foundation 12 million Class B shares of stock in his investment company, Berkshire Hathaway, with an estimated worth of well over \$30 billion. His pledge included the requirement that the foundation annually award a sum equal to the previous year's gift.
- In 2009 it paid out \$2.6 billion in grants.
- Between 1994 and 2011, it made grants totalling almost \$25 billion.
- Of this, \$14.5 billion, almost 60 per cent, went to the Global Health Program, where the foundation has been active in funding and campaigning for the development and distribution of vaccines against diseases like HIV/AIDS, malaria and tuberculosis.
- In 2008, Bill Gates decided to devote himself to the work of the foundation,