

Global Giving

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This issue examines an emerging approach to leveraging the resources and skills of global corporations to benefit the poor. The Shell Foundation is pioneering the use of market-based solutions to poverty that harness the assets of its corporate parent, the Royal Dutch Shell Group. As the foundation's director Kurt Hoffman puts it, "[Shell], like any big business, was the repository of a great deal of knowledge and expertise that was mainly deployed to create value for the business, as it should be. The hypothesis was that these business practices and principles also had great social benefits if applied externally to the social issues that we wanted to be involved in." The result is financial and social returns in some of the poorest communities around the world.

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Global Giving Matters presents best practices and innovations in philanthropy and social investment around the world. It is an initiative of The Synergos Institute's Global Philanthropists Circle and the World Economic Forum, under the direction of Adele Simmons, Senior Advisor to the Forum, and James M. Brasher III, Director, Global Philanthropists Circle. Lynn Peebles is the lead writer. Rockefeller Philanthropy Advisors provides support for its distribution. If you would like to subscribe to this newsletter, to unsubscribe, or to designate someone else in your organization to receive it in your stead, contact us at comments@globalgivingmatters.org.

Feature: Shell Foundation – Bringing more than money to the table

As debate continues over the best way to combat global poverty, the **Shell Foundation** is making the case for putting pro-poor enterprise front and center in this campaign.

Since its launch five years ago, the foundation has been systematically exploring the question of how to catalyze and scale up market-based solutions to poverty and how to harness to that same end the powerful, but largely untapped, value-creating assets of multinational corporations – their business expertise, convening power and knowledge of local communities.

The foundation is refining its model through a range of pilot programs, a number of which are aimed at jump-starting the underdeveloped small enterprise sector in Africa, Latin America and India. Based on the success of several of these pilots, the foundation is now scaling up in an effort to demonstrate that its market-based model can generate both financial and social returns in some of the poorest communities in the world.

Created in 2000 with a \$250 million endowment from the **Royal Dutch Shell Group**, the foundation is a registered charity based in the United Kingdom. First as architect, then director, **Kurt Hoffman** has been involved from the beginning in leading the consultation and design of the Shell Foundation and getting its major grant programs under way.

A development economist by training, Hoffman has worked in academia and private foundations, as well as for the United Nations, World Bank and various bilateral development agencies – and has also launched and managed three small businesses. Just back from the G8 summit at Gleneagles, Scotland, Hoffman spoke to *Global Giving Matters* about the evolution of the foundation and some of its early successes and challenges.

Global Giving Matters: You've aimed to create an entirely new form of corporate foundation at Shell that couples social investment explicitly to issues associated with Shell's core business and multinational character. Why did Shell move away from its more traditional approach to corporate social responsibility?

Kurt Hoffman: That whole process started back in 1997 when the [Shell] Group was going through a major transformation in response to both business and social pressures. There were issues to do with our role in Nigeria and the Brent Spar oil platform, for example, that crystallized the changes in how Shell related to society that the Group knew were coming, but it hadn't quite appreciated the urgency of them.

I was brought in to help rethink and restructure the Group's overall global social investment program, which was pretty large then as it is now. It was run at the national level through the many country units that Shell operates, and was driven by local concerns which tended to be translated into traditional corporate social investment activities to do with culture, education, health. These were all perfectly good activities, but they did not really focus on strategic issues in which the group could have a big impact and on which it was increasingly expected to play a new and different role on the global stage.

That led to the decision, first, to create a new global strategic social investment program that would operate on its own, but also act as a change agent within the Group. And second, to focus on social issues linked to our character as an energy company and as a multinational. The reasoning behind that was that we could bring much more than money to the table when we began to get involved in projects.

The Group, like any big business, was the repository of a great deal of knowledge and expertise that was mainly deployed to create value for the business, as it should be. The hypothesis was that these business practices and principles also had great social benefits if applied externally to the social issues that we wanted to be involved in. We became aware that there was often a huge gulf between the level of capability among our potential partners in these areas and what Shell had to offer and we began to focus in on that.

GGM: Based on the success of two earlier pilots, the **Uganda Energy Fund** and the **Empowerment through Energy Fund (ETEF)** in South Africa, Shell Foundation and its investment partners rolled out an expanded \$100 million **East Africa Small Enterprise Fund** in July. What were your main objectives in launching these pilots?

Hoffman: Energy is clearly one of those services that poor people must have access to in order to get on the road to economic development, so it was an obvious entry point for us to the poverty problem. It was clear from the outset that typical state- or donor-supported attempts to extend clean and modern energy services to poor communities were never going to reach the two billion or so people in the world who lacked access to them. There had to be some other way of reaching them, and the logical landing point for us was market-based mechanisms.

We started out engaging with the normal NGO and grantee communities to come up with ideas about how you get energy services to poor people, and found that while there was no lack of competence and knowledge of communities on their part, there was a real lack of understanding of the market.

We funded a lot of projects early on with the grantee community but we discovered that they really were not delivering what we wanted. We were looking for pilots – pilots that could later be picked up by the market in some form, not necessarily with full profit, but with some financial drivers and investors in place. So we shifted focus and tried to find more businesslike partners, and that led us to the Uganda fund and the ETEF fund, where we decided to partner with local banks.

GGM: What were some of the challenges you encountered in establishing these small enterprise investment funds?

Hoffman: We quickly discovered that local banks, particularly in Africa, are sitting on a lot of money. But they are very risk averse when it comes to lending to the small enterprise sector, which we had identified as the key constraint in getting energy services to the poor. So we decided to use the Shell muscle, the brand and the commercial credibility, and challenge them to join us as joint investment partners in these funds. We ended up working with **DFCU Bank** in Uganda and **ABSA Bank** in South Africa.

We realized from our own experience that, since their skill is in managing assets, banks were not familiar with managing small enterprises. So we had to find a way to channel the other missing ingredient to these enterprises, and we call this business development assistance. We experimented a lot, and eventually ended up bringing in a specialist fund manager, South Africa-based **GroFin Capital**, with expertise in both small enterprise development and commercial finance.

GGM: How do these funds work? How do they differ from conventional financing, and what kind of results have you seen from your pilots in Uganda and South Africa?

Hoffman: The funds rely on the well-understood mechanism of closed-end investment vehicles of fixed size, but we've been innovating in the areas of deal flow, flexible forms of finance, and the provision of business development assistance. Via the first two pilot funds, totaling some \$13 million, we've assisted more than 350 start-up and first stage SMEs.

These businesses have created thousands of pro-poor jobs and most importantly are maintaining repayment and growth schedules that will deliver a commercial rate of return to our funds. Based on this success, we just announced closure on the first stage of a \$100 million **African Small Enterprise Fund**. The first stage of this will be \$22 million targeting East Africa, with the majority of the risk capital provided by local banks and international finance organizations, and, critically, offering a commercial rate of return to these investors.

GGM: In promoting the foundation's market-oriented approach to helping the poor, you've issued some rather pointed critiques of the development community and its historical inability to find sustainable solutions to poverty – a rather strong line in the sand. Has this position made it even harder to reach out to this sector in your work?

Hoffman: It's led to some interesting debates and discussion. But as development professionals, we felt it was worthwhile drawing the line as sharply as possible in order to draw attention to it. We find in the development community a lot of heads that nod in agreement with us, at the individual level, but they operate systems that constrained them in terms of what they can actually do. As a result, we tend to gravitate increasingly to business-based organizations because they are much quicker to understand how to incorporate development angles into their business model, than the development community is to incorporate issues of financial viability into their development model.

GGM: You put forward your pro-poor business model in a well-publicized manifesto, *Enterprise Solutions to Poverty* released in March and took part in the **Business Action for Africa** conference during the recent G8 summit, where you made a similar case and talked about your work. Is your message finding fertile ground among others who are in a position to push new solutions for development aid?

Hoffman: We definitely sense a change in the tenor in the debate and in the level of interest in collaboration out there. We're engaged in discussions with parts of the G8 mechanism, particularly on the UK side, to take things forward. We also have agree-

ments with **Unilever**, **Coca-Cola** and the business arm of Shell Africa to channel to our funds very small businesses who are seeking to become part of their supply chains in the region but are unable to raise the finance to do so. Large companies are approached all the time by such entrepreneurs but are not in the business of establishing small enterprises. So we are in a sense harnessing that flow into our deal flow. At the Business Action for Africa conference, I was deluged with people wanting to talk more about what we're doing.

GGM: Do you expect to see a benefit to Shell, in terms of its operating environment, from the foundation's current activities?

Hoffman: We're keen to demonstrate benefits to Shell, because if we do, and the Shell business side picks up on some of the things we do, it sends a powerful message to other companies that the strategic social investment approach works. In fact, we will soon announce a Shell company in Latin America that's going to set up one of these funds, but it's going to do it without us, without our money. It will do it in partnership with local banks, but apply the same principles. And that's an important indicator that the business side of Shell sees that there's both business and social value in these things. It's exciting because it's proof of concept.

Global Giving Roundup

Overviews of best practices around the world and links to learn more about them

Links to websites with more details are available at the online edition of Global Giving Matters at www.globalgivingmatters.org

Mexicans donate generously to Asian tsunami relief

More than 700,000 Mexicans gave nearly \$4 million in private donations for victims of the Asian tsunami, the largest financial contribution made by civil society in any developing country not directly impacted by the disaster. The Mexican appeal for tsunami relief, the **Alliance for Asia: Rebuilding Homes**, was a joint initiative of 37 Mexican civil society organizations, foundations, companies, financial institutions and communications groups. Money raised from the appeal is earmarked for a \$25 million project of the **United Nations Development Programme (UNDP)** for construction of homes in Indonesia. The project is expected to aid 10,000 families in 40 communities in the province of Aceh. **José Ignacio Avalos**, a Global Philanthropist Circle member and spokesman for Alliance for Asia, called the results, "very promising – we believe that as a country, we are becoming increasingly aware of the importance of offering a helping hand to those who need it." Avalos is president and founder of **Gente Nueva**, a Mexico-based organization that works across sectors to generate economic opportunities for the poor. (UNDP Release, March 18, 2005)

Philanthropist restoring war-damaged national park in Mozambique

Greg Carr, former chairman of Prodigy Internet and founder of Africa Online, is giving his Manhattan pied-à-terre, valued at \$18 million, to his family foundation and plans to direct the proceeds to help fund restoration of a national park in Mozambique. The

gift follows a \$36 million pledge, to be paid over 30 years, that Carr, 45, made in 2004 to **Mozambique's Ministry of Tourism** in response to a request from Mozambique's ambassador to the UN to invest in the country. The proceeds from the apartment sale will benefit the one-million acre Gorongosa National Park, a biodiversity hotspot in southern Africa. The Cambridge, Massachusetts-based **Carr Foundation** (www.carrfoundation.org) is working in partnership with the Government of Mozambique to preserve and restore the park, which was damaged by three decades of civil war. The project aims to develop community-based ecotourism in the park to assist local residents with employment and improvements in social services such as schools, clinics and improved water supply. Carr, a human rights advocate and philanthropist, is founder of the Carr Center for Human Rights Policy at the Kennedy School of Government at Harvard University and is active in anti-bias efforts in his home state of Idaho. (*Wall Street Journal Online*, June 17, 2005; Carr Foundation website)

Unitus opens India microfinance center

Unitus (www.unitus.com) a nonprofit organization that helps alleviate poverty by accelerating the growth of microfinance institutions (MFI) worldwide, has announced the launch of the **Unitus Indian Microfinance Center** in Bangalore. In addition to supporting the organization's six partners in India, the center will provide services for future Indian MFI partners and serve as a resource for broader microfinance industry collaboration. Unitus, founded and chaired by Global Philanthropist Circle member **Mike Murray**, seeks to bring microfinance services to more than 10 million of India's working poor by 2015. It acts as a social venture capital investor for the microfinance industry, identifying high-potential MFIs in developing countries and assisting their growth through capital investments and capacity building consulting. In addition to India, Unitus has MFI partners in Mexico and Kenya. (Unitus Newsletter, July 2005)

Sainsbury announces plans for "giving while living"

David Sainsbury – Lord Sainsbury of Turville – who amassed great wealth in Britain as head of the Sainsbury's supermarket chain before joining the government as Minister of Science, announced in May that he intends to give away at least £1 billion (\$1.8 billion) during his lifetime and has directed his **Gatsby Charitable Foundation** (www.gatsby.org.uk) to spend both its income and capital before he dies. The foundation holds an estimated five percent share of the grocery chain, J Sainsbury PLC, which Sainsbury chaired until he entered government in 1998. The foundation's trustees include Global Philanthropist Circle member **Christopher Stone**, who also manages the Family Office of Lord Sainsbury. With his action, Lord Sainsbury, at the age of 64, joins the growing ranks of wealthy individuals who have decided to play an active role in ensuring that their philanthropic dollars are well spent while they are alive. The Gatsby Charitable Foundation has already invested more than \$720 million in its 35 years in operation, with another \$180 million committed to ongoing programs in developing countries and the UK. (*Sunday Times Online*, May 22, 2005; *The Economist*, May 28, 2005)

Indigenous artists give share of profits to alleviate hunger in Niger

Novica (www.novica.com) an online bazaar for indigenous artisans from around the world, has announced that it will donate a portion of its August sales in West Africa to UNICEF's emergency fund to alleviate hunger in Niger. Novica is one of a number of "ethical enterprises" in the portfolio of **Foursome Investments** (www.foursome.net) a London-based socially responsible investment group founded and directed by Global Philanthropist Circle member **Kurt Engelhorn**. The fair trade Internet marketplace permits shoppers to buy a range of quality handicrafts direct from artists, eliminating the middleman so that producers and consumers get a better deal. Niger, the second poorest country in the world, is facing a hunger crisis aggravated by severe drought and an invasion of locusts during the past year. An estimated 3.3 million people, including 800,000 children under age five, are currently threatened with starvation. Novica notes that donations may also be made directly to the UNICEF appeal through the agency's website www.unicef.org.

Building civil society in Kazakhstan

Writing from Almaty, Kazakhstan in June, **Center for Safe Energy** (CSE – www.centerforsafeenergy.org) co-directors **Francis Macy** and **Enid Schreibman** issued one of their periodic updates to friends of CSE on the center's ongoing efforts to strengthen local capacity, particularly among women, to deal with environmental, social and economic problems in the communities of the former Soviet Union. Fresh from a meeting of the local philanthropy circle, they described the exhilarating experience of listening to stories told from the heart, about the simple but effective ways in which community members are plugging the gaping holes in the former Soviet safety net. CSE is fortunate to have as a local partner **Kaisha Atakhanova**, a winner of the 2005 **Goldman Environmental Prize** for her public lobbying campaign to block the import and storage of radioactive waste in Kazakhstan. Atakhanova founded and directs the **Karaganda Ecological Center**, which promotes grassroots democracy building and environmental protection. She is working with CSE on its newest project called **Democracy in Action**, which aims to increase the role of women and nonprofit organizations in creating local public programs for vulnerable population groups.

Foundations rally support for common European citizenship project

Against a backdrop of France and Netherlands rejecting a common European constitution, the **European Foundation Centre** (www.efc.be) met for its 16th Annual General Assembly in June in Budapest, where the EFC's 500 foundation delegates called for a redoubling of efforts to strengthen the European Project. The project aims to rally foundations to increase their commitment to support citizen participation and raise awareness of the need to develop a common citizenship while embracing cultural plurality. The EFC has forged a partnership with the **European Commission** to mobilize support for the European Project. At a meeting with EFC members at the Commission's headquarters in Brussels in May, Commission President **José Manuel Barroso** stressed his interest in working with European foundations to advance the

Millennium Development Goals and to design a regulatory framework to make it easier for foundations to work across national borders. In other EFC news, the Centre has appointed Dr. **Gerard Salole** as Chief Executive of EFC headquarters in Brussels. Salole, who was the Ford Foundation's representative for South Africa, replaces EFC's founding Chief Executive, John Richardson. (EFC Statement June 6, 2005; EFC News Release April 8, 2005)

Hewlett family philanthropy honored with 2005 Carnegie Medal

Global Philanthropist Circle member **Eleanor Hewlett Gimon** was one of six private donors from around the world honored with the 2005 **Andrew Carnegie Medal of Philanthropy** (www.carnegieinstitution.org/carnegiemedal2005). The award, announced August 11 on the anniversary of Carnegie's death, recognizes philanthropists and their families who have dedicated their private wealth to public good. The award ceremony will take place at the new home of Scotland's Parliament in Edinburgh on October 4, preceded by an international philanthropy symposium (www.carnegieuktrust.org.uk). Accepting the award on behalf of the Hewlett family, Eleanor Hewlett Gimon serves on the board of the **William and Flora Hewlett Foundation** – one of the largest private foundations in the US – and the **Family Foundation of North America**. She is also active in the **Flora Family Foundation**, which she created with her siblings to encourage the next generation to become active in philanthropy. Other recipients of the 2005 Carnegie Medal include His Highness the **Aga Khan**; **Susan Packard Orr**, for the Packard family; Sir **Tom Farmer**, founder of the Scots firm Kwik-Fit; and **Agnes Gund**, chair of the Museum of Modern Art, New York.

Nominations sought for beefed-up Hilton Humanitarian Prize

The **Conrad N. Hilton Foundation** is seeking nominations for its 2006 **Hilton Humanitarian Prize**. To celebrate the award's 10th anniversary and to underscore the "tremendous humanitarian needs facing our globe," Hilton Foundation Chairman and CEO **Steven Hilton** announced in August that the prize had been increased from \$1 million to \$1.5 million. Now the world's largest prize, the annual award recognizes organizations that are significantly alleviating human suffering. The nomination period began in August and will close on November 7, 2005. Nomination instructions are available on the Hilton Foundation website www.hiltonfoundation.org. Previous winners of the Hilton Prize include Heifer International; International Rehabilitation Council for Torture Victims; SOS Children's Villages; St. Christopher's Hospice; Casa Alianza; AMREF/African Medical and Research Foundation; Doctors Without Borders; International Rescue Committee; and Operation Smile. The Hilton Foundation is named for the late hotel entrepreneur and aids the world's most disadvantaged and vulnerable. More than half of its grants fund international projects.

TIME and Gates Foundation team up for a focus on global health

TIME magazine will shine a spotlight on global health in November, with a global health summit linked to a special issue of the magazine focusing on current challenges

and what can be done to improve basic health standards for hundreds of millions of people around the world. The **TIME Global Health Summit** (www.time.com/time/2005/globalhealth), to be held in New York City November 1-3, 2005, will be cosponsored by the **Bill & Melinda Gates Foundation**. It aims to convene a broad cross-section of global society, including leaders in medicine, government, business, public policy, development and the arts. The same week, TIME's media partner, the **Public Broadcasting System (PBS)** will debut a six-part series on global health, *Rx for Survival*.

Partnership strengthens ties between private banking, microfinance

Global Philanthropist Circle member **Youssef Dib**, Global Head of Wealth Management Services at **BNP Paribas Private Bank**, reports that the bank has signed an agreement with **PlaNNet Finance** designed to increase financial resources available to microfinance. In announcing the new microfinance partnership, BNP Paribas Bank Director **François Debieesse** noted that the new fund responds to a growing interest on the part of its clients in alternative investment products. "BNP Paribas is pleased to strengthen its role as a player in the development of microfinance and to meet the needs of its large clientele with regard to ethical and philanthropic investments," Debieesse said. The agreement marks the development of a microfinance investment fund that will be available to BNP Paribas Bank's international clients. The bank has directly invested \$3.75 million [3 million] in the fund and PlanNet Finance will serve as its advisor on microfinance issues. The French-based BNP Paribas Bank manages more than \$125 billion [100 billion] in assets worldwide. The bank expects that its initial investment will enable the funding of as many as 30,000 microenterprises in developing countries, with an average microcredit loan of \$125 [100]. PlanNet Finance (www.planetfinance.org) which supports microfinance institutions (MFIs) in more than 60 countries, will select the MFIs eligible for loans from the new fund.

25th International Fundraising Congress opens October 18

The **Resource Alliance** (www.resource-alliance.org) will hold its 25th **International Fundraising Congress** in the Netherlands from October 18-21, 2005. The most internationally diverse fundraising conference in the world, the event will feature more than 55 speakers and is expected to attract more than 750 participants. New in 2005, Resource Alliance and **Charities Aid Foundation** will launch the **Innovation Awards** to recognize best practices in local resource mobilization. For information about the conference, or to register, contact ifc@resource-alliance.org.

Resources & Links

Activities, websites and other cutting-edge information for global givers

Links to websites with more details are available at the online edition of Global Giving Matters at www.globalgivingmatters.org

INSP provides global perspective on strategic philanthropy

The **International Network on Strategic Philanthropy** has published the results of a four-year study project in a collection of ten papers on contemporary issues in philanthropy, entitled *Rethinking Philanthropic Effectiveness – Lessons from an International Network of Foundation Experts*. The aim of the project and the publication is to stimulate more strategic forms of philanthropy. The papers cover topics including board management, the promotion of philanthropy, and the role of philanthropy in globalization.

Contributors include **Adele Simmons**, President of the Global Philanthropy Partnership, Senior Adviser to the World Economic Forum and a board member of Synergos; and **David Winder**, Founding Director of Synergos' Multistakeholder Partnerships Program. To order the INSP publication, visit www.insp.efc.be (EU residents) or www.brookings.edu (non-EU residents).

New blog explores eradicating poverty through profit

World Resources Institute has launched **NextBillion.Net** (www.nextbillion.net), a new “hyper-interactive” blog created as a forum for discussion of best practices, new research, and on-the-ground activities related to sustainable business models that address the needs of the world's poorest citizens – the so-called “bottom of the pyramid.” WRI hopes that bloggers who visit the site will expand on conversations initiated at its conference last December in San Francisco on **Eradicating Poverty Through Profit: Making Business Work for the Poor**. The name of the blog refers both to the “next billion” to rise from poverty as empowered consumers, and the “next billion” in profits earned by private firms selling to underserved markets around the world. (WRI News Release, May 26, 2005)

Alliance assesses the Millennium Development Goals

As the UN meets in New York in September to review progress towards the Millennium Development Goals (MDGs), *Alliance* magazine (www.allavida.org/alliance/alliancehome.html) takes its own critical look at the goals five years on – achievements to date, steps required to meet the goals by 2015, and the role that companies, foundations and individual philanthropists can play to ensure that the goals are met – often in partnership with governments and multilateral agencies. In the August edition of the online *Alliance Extra* (www.allavida.org/alliance/allianceextra.html) an interview with **Oded Grajew**, President of the Ethos Institute, focuses on progress toward meeting the MDGs in Brazil.

Your Ideas Wanted

Global Giving Matters aims to present information on best practices and innovations in philanthropy and social investment around the world. We encourage you to send us:

- Ideas about issues or people you would like to learn more about
- Examples of your own philanthropy
- Comments about this issue.

Write to us at comments@globalgivingmatters.org.

Global Giving Matters does not present solicitations of support for particular initiatives or organizations.

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