New foundations, the new philanthropy and sectoral ‘blending’ in international development cooperation
A growing number of agents from internet entrepreneurs to celebrities are entering an increasingly crowded development space, bringing with them ideas and approaches that emphasise market-oriented modes of grant-making. The discourse and practices of the new philanthropy, as it has come to be known, as well as the organisational forms which underpin programmatic design, is increasingly informed by a particular form of managerialism, labelled philanthrocapitalism by Bishop and Green (2008). This is hailed as a harbinger of dynamism to the supposedly staid and partly ineffectual third sector, which, its critics attest, has failed in its mission to curb entrenched poverty. For reasons that are not always clear, however, examination of these actors – new foundations, venture philanthropists etc – has largely flown under the radar of international political economy and development studies scholars who have tended, perhaps for reasons of sectoral scale or an ‘enemy perception’ as Knorringa and Helmsing (2008) have described it, to ignore the growth of social entrepreneurship in favour of empirical analysis of NGOs and programmes of official development actors such as international organisations and bilateral agencies. This paper investigates sectoral ‘blending’ in international development, a process whereby private sector approaches are diffused by ‘for-profit’ social enterprises such as Google.org, the Acumen Fund and the Skoll Foundation with the aim of increasing performance and ‘impact’. It explores what this nascent paradigm might mean for the trajectory of development cooperation. It is found that a not-so-quiet revolution is taking place in philanthropy in the US. Despite the hollow platitudes that sometimes accompany this phenomenon, it is argued that it has significant implications for development policy and practice by both challenging and, somewhat counter intuitively, complementing the participatory model that has dominated development discourses since the late 1980s.

Introduction

Recent activity in the philanthropic sector in the United States (US) and elsewhere has tended toward gradual internationalisation and marketisation of grant-making. The promotion of private sector practices by private foundations in development cooperation is not entirely novel. Market-oriented modalities have partly been diffused in the international system via foundation initiated public-private partnerships (PPPs) such as the International AIDS Vaccine Initiative and the Alliance for a Green Revolution in Africa as well as numerous others over the course of the past decade. Nonetheless the discourse and practices of the new philanthropy, as well as the organisational forms which underpin programmatic design, is increasingly informed by a particular form managerialism (Collins 2004), that has been labelled philanthrocapitalism by Bishop and Green (2008). This is hailed as a harbinger of dynamism to the supposedly staid and partly ineffectual third sector (Dees 1998), which, its critics attest, has failed in its mission to sufficiently curb entrenched poverty or adequately facilitate “sustainable” income-generating solutions that break what can be termed the charity-dependence nexus.
For reasons that are not always clear, but which can be speculated upon, examination of these actors, like private foundations broadly, has largely flown under the radar of international political economy (IPE) and development studies scholars who have tended to partly neglect the growth of social entrepreneurship in favour empirical analysis of non-governmental organisations (NGOs) and programmes of official development actors such as bilateral agencies and international organisations (IOs) (including increasingly hybrid arrangements such as PPPs). There are at least two possible reasons for this. The first relates to sectoral scale. Most estimates suggest that the ‘volume of funds under management by venture philanthropy groups still remains very small, typically less than one per cent of total giving’ (Nicholls 2006, 18). Given the diminutive size and marginality to a not-for-profit sector that in some estimates constitutes five per cent of global gross domestic product it is not altogether surprising that scholarly accounts have been limited and largely emanated from disciplines, with an interest in “entrepreneurialism”, namely management and organisational studies (cf. volume edited by Nicholls 2006).

The second is more elusive and relates to the normative and disciplinary orientation of scholars who examine the social dimensions of development and, also, but perhaps to a lesser extent, global governance. From this perspective the apparent dearth of research on the new venture foundations may be attributable to an aversion – part ideological, part ontological – to investigation of projects that remain too deeply embedded within a market frame or simply seem alien due to the propensity for managerialist discourses. Knorringa and Helmsing (2008, 1053) have aptly described this as an ‘enemy perception’ and argue that it leads defenders of traditional philanthropic approaches such as Edwards (2008), to ‘hostile simplifications’ about the motives and/or suitability of business thinking to a culturally specified and particular social economy. Ultimately they contend that ‘popular private sector discourses claim a superior understanding of development processes, and seem poised to relegate development studies to the dustbin of history’ (Knorringa and Helmsing 2008, 1054).

Utilising a rich-case method, this paper investigates alternative modes of sectoral ‘blending’ or ‘bending’ (Dees and Anderson 2003) in international development, and what this nascent paradigm might mean for the trajectory of development cooperation. It is found that a not so quiet revolution has been taking place in philanthropy in the United States (US). Despite the seemingly hollow platitudes that sometimes accompany this phenomenon it is argued that, like earlier private foundation support for the institutionalised PPP which has contributed to substantial innovation in the governance of global problems, this has implications for development policy and practice as a growing number of market agents from celebrities to internet entrepreneurs enter an increasingly crowded development space, bringing with them ideas and approaches, which both challenge, and somewhat counter intuitively, complement the participatory model that has permeated development discourses since the late 1980s and early 1990s.

Private entrepreneurs and sectoral blending in international development

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1 There are some exceptions and Alvord et al (2002, 2003, 2004), a group of scholars out of Harvard’s Kennedy School of Government, have conducted some interdisciplinary research into social entrepreneurship, which draws together literature from development studies and more management oriented scholarship.
Recently Knorringa and Helmsing (2008, 1053) have observed that ‘private entrepreneurs have become important social actors in development, possessing a variety of motivations and behaviours that defy monolithic perceptions’. While largely under theorised and according some prone to ‘hyperbole’ (Edwards 2008, 2009) there has been a steady growth over the last couple of years of academic literature extolling the virtues of the new philanthropy (cf. Bishop 2008; Bishop and Green 2008; Desai and Kharas 2008; Nelson 2008). This literature maintains that not only is this observation accurate, but moreover, that ‘aid from private sources is changing the landscape for international development assistance’ (Desai and Kharas 2008, 155). This section reviews some of the literature on social entrepreneurship, before outlining the key features of the new development philanthropy.

Social entrepreneurship and foundation finance

Like many concepts in the social sciences that enjoy practical application, social entrepreneurship defies simple definition (Barraket 2009, 2). The term, and associated functional forms, such as social enterprise (Nicholls 2006, 11), is interpreted through competing lenses that are regionally informed, ideologically constructed and ideationally constituted. Barraket (2009, 2), who has investigated the phenomenon in the Australian context, defines social enterprise ‘in its most general sense as…the creation of social (including environmental and cultural value) through trade’. However like most authors examining the area, Barraket (2009) remains cognisant of the terms innate complexity, a sentiment almost universally shared across the literature.²

² If there is one thing that observers of this concept appear to agree on is that there is no accepted definition. Indeed virtually every scholarly publication on the concept begins by proffering a definition or even focussing exclusively on defining this seemingly elusive and nebulous concept (cf. Alvord et al 2004; Barraket 2009; Dees 1998; Kerlin 2006; Martin and Osberg 2007; Nicholls 2006; Peredo and McLean 2006; Zahra et al 2009). Nicholls (2006, 7) notes that this often centres on not just ‘what it is and what it does’ but ‘also what it ‘does not have in common with commercial entrepreneurial activity’.

For Kerlin (2006, 247) there are distinctive regional flavours to the term social enterprise. Reflecting the Eurocentric character of much of the literature, she broadly identifies a US tradition and a West European tradition. In her comparative study of the literature she argues that the US retains a ‘broader and more focused [emphasis] on enterprise for the sake of revenue generation than definitions elsewhere’ (Kerlin 2006, 248). Despite this commonality there are two overlapping, yet distinctive, conceptualisations within the US. On the one hand are those predominant in the academic sphere, particularly business schools, which adopt a broad ranging and inclusive definition that incorporates any organisational form from ‘profit-oriented businesses engaged in socially-beneficial activities (corporate philanthropies or corporate social responsibility [CSR]) to dual-purpose businesses that mediate profit goals with social objectives (hybrids) to nonprofit organizations engaged in mission-supporting commercial activity (social purpose organizations)’ (Kerlin 2006, 248). On the other are practitioners whose conceptualisation according to Kerlin’s (2006, 248) schema is narrower and focussed purely on nonprofits engaging in revenue generation within in the parameters of section 501(c)(3) of the Internal Revenue Code.

This bifurcation is, to some extent, reproduced on ‘the other side of the Atlantic’ (Kerlin 2006, 249). Here Kerlin (2006, 249) identifies ‘[o]ne school of thought [that] stresses the
social entrepreneurship dynamic developed by firms who seek to enhance social impact of their productive activities’. This accords with the broad US definition in that it loosely incorporates CSR. By contrast the second school is firmly rooted in the third sector and ideas of social economy – as an alternate sphere to market economy – that have gained traction across Europe, where cooperatives have strong historical antecedents (Barraket 2009), and in the UK, where early Blairite Third Way politics produced a number of social policy experiments that focused on partnerships (Barraket and Crozier 2008).

Despite this significant degree of definitional ambiguity and uncertainty, in the main most practitioners and scholars, foundationally embedded within disciplines such as management and organisational studies, have tended to equate social entrepreneurship with the former, variously weighting the social and the economic dimensions according to preferences. Motivations are therefore seen as of significance as this can act as a point of differentiation between commercial entrepreneurship, grounded in Schumpeterian notions of the ‘entrepreneur as an agent of change’ (Christia and Honig 2006, 2) and social entrepreneurship, incorporating a ‘mission focus’ (Nicholls 2006, 13) but applying business insight ‘to meet an unmet social need’. Thus Nicholls (2006, 13) appropriately observes that ‘simply put, social entrepreneurship is defined by its two constituent elements: a prime strategic focus on social impact and an innovative approach to achieving its mission’ which fittingly describes the activities of the organisation under investigation in this paper.

What is most significant, though, at least for the purposes of this study, is how the ‘institutional environment’, resource-funding framework and political cultures differ between the two regions (Kerlin 2006). In Europe, with a strong tradition of welfare statism, a political culture of government intervention and a fiscal environment supported by relatively high taxation Kerlin (2006, 256) observes that ‘strategic development of social enterprise is more tied to government and [EU] support’. In contrast, the social sector in the US, while also extracting substantial revenue from government through outsourcing of services and the largely uninterrupted rise of contractualism in public policy, has relied more heavily on private capital which has played a more significant role in sectoral development (Nicholls 2006, 4). Foundations – private, familial, corporate and community-based – are thus more important to nurturing social enterprise in the US.

Similar funding patterns appear to be repeated internationally. While broadly liberal internationalist supranational bodies like the EU have been supportive of social entrepreneurship (Nicholls 2006, 4), the Bush Administration directed USAID to support private sector development through philanthropic initiative in keeping with its neo-liberal ideology, and the Obama Administration has made recent overtures toward social innovation through social enterprise at the domestic level (Osberg 2009), where social entrepreneurship is concerned the impetus has been primarily driven by private actors, with foundations and other venture funds taking a lead role (Nicholls 2006, 4). This is consistent with the concept’s themes – addressing causes over symptoms, self-help and the eventual reduction of the charity-dependence nexus in which the private sphere remains the principal driver of social change. The private sphere is also therefore where its benefactors would presumably like it to remain. It is to the attributes of these funders that I now briefly turn.
Encouraged by a series of articles in the *Harvard Business Review* in the late 1990s by scholars such as Letts et al (1997), who introduced the concept of *virtuous capital*, a juxtaposition of venture capital and philanthropy and later contributions by management theorists Porter and Kramer (1999) with their notion of ‘creating value’, which forwarded four elements for developing effective foundation strategy; cumulative interest in alternative styles of giving gave way to a cross-pollination of philanthropic practices with ideas emanating out of business schools. More importantly, though, the rise of Northern California’s “Silicon Valley” as the epicentre of US innovation, wealth and increasingly philanthropy has seen a new class of *social investor* or ‘investors for good’ take the mantle (Bishop and Green 2008, 88; Frumkin 2003, 2006; Vurro 2006). As one sector-wide analysis observes ‘wherever emerging industries have spawned new fortunes, new philanthropic initiatives [are] sure to follow’ (Morino and Shore 2004, 10).

The changes, perceived or real, within the sector have been both applauded (cf. Bishop and Green 2008; Clinton 2007; Elkington and Hartigan 2008) and occasionally questioned (cf. Edwards 2008; Katz 2005). On the one hand, commentators such as Bishop and Green (2008) herald this as the beginning of an age of ‘philanthrocapitalism’ in which a ‘new generation of billionaires…[l]argely trained in the corporate world…are using big-business-style strategies’ to tackle seemingly intractable transnational problems. On the other, long-time observers of civil society such as Edwards (2008, 15-31) have cautioned against both the hype surrounding the new philanthropists – and in particular the supposed superiority of “business-like” approaches to traditional third sector administration which is deemed a key element of this trend. From this perspective the discourse of managerialism that permeates much of the discussion on contemporary philanthropy may undermine ‘civil society’s distinctive role’ and diminish it as a countervailing, autonomous force that counterbalances state and market (Edwards 2008, 91). Nonetheless, while the terms are (and should be) contested they do provide a neat, if imperfect, delineation of the new philanthropic landscape, particularly as it is portrayed in the literature and there are a number of attributes that distinguish the approach in practice.

The first notable feature of venture philanthropy centres on the creeping discourse of *managerialism* which permeates public documentation, “investment” approach and operational ethos. While there has been a commensurate shift toward terminology that mirrors private sectors discourses in more traditional foundations, the commercial undertone and rhetoric is more pronounced in many of the newer foundations and funds. These actors have embraced language that would usually seem at home only in business schools and firms which seems to conflict with mainstream development discourses, which while defined by their economism, have generally, appropriated notions of “participatory” development and “community empowerment”. As Frumkin (2003) has observed terms such as *grant* have been replaced with *investment*; *programme area* substituted with *investment portfolio*, and *evaluation* with *performance measurement*.

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3 This title is adapted from Desai and Kharas (2008) who posit that ‘private aid’ is now equal to, and in some estimates, surpassing official flows with far reaching implications for the aid regime.
Second, this rhetoric has found reflection in substantive programmatic outcomes. Evidence of this can be seen in the stress that is placed on measuring and tracking “investments”, evaluation of investees through due diligence, continuous mandatory reporting of performance and the use of business metrics to assess ostensibly elusive social phenomena (Collins 2004). This is buttressed by new approaches to ‘giving’ (Frumkin 2006) – sometimes known as ‘high engagement philanthropy’ (Morino and Shore 2004) – in which there is a highly augmented pattern of interaction between the donor (or ‘investor’) and recipient (or ‘investee’) (Frumkin 2003, 11). In this approach philanthropists deploy various elements of the venture capital process. Distribution of capital moves beyond the provision of finance into the in-kind spheres: “investors” facilitate ‘skill and technical resources transfer’ (Vurro 2006, 91) through sustained relationship building and organisational support; limit the spread of resources to a small number of recipients to increase likelihood of success through larger individual investments (Frumkin 2003); and take a long-term outlook which sees funding extended over a lengthy timeframe (Romirowsky 2007, 132).

The third notable attribute that defines the new philanthropy is the profit-motive or more specifically how development interventions can be reconciled with enterprise cultivation, and ultimately, scaling-up through replication. There has been much debate regarding aid effectiveness and a rich, albeit controversial, body of literature has emerged from conservative and libertarian scholars critiquing the contemporary aid regime (cf. Deutscher and Fyson 2008; Easterly 2006). While high-profile defenders of development assistance such as Sachs (2005) have advocated an expansionary use of ODA and there is a broad liberal (Riddell 2007) and conservative (Kharas 2008) consensus that interventions which utilise Northern and Southern NGOs in contracting can reduce costs, there has been growing, or at least vocal, chorus of voices advocating a move toward enterprise-based solutions (Dees 2008). That is, proponents of the new philanthropy have argued that reframing development as enterprise, or targeting the poor as consumers, can contribute ‘lasting solutions’ that cannot be provided by traditional charitable or official ‘relief’ (Dees 2008, 122). Moreover for many of the new social entrepreneurs and their patrons in venture foundations there are fewer, if any, potential conflicts between the profit motive and social change – indeed sustainable social innovations often appear to occur within the realm of the market. It is this last point that warrants discussion before I examine the new philanthropy in practice.

The new philanthropy and the base of the pyramid

One the key concepts that has been used to rationalise this approach is that of base (or bottom as it was initially known) of the pyramid (BOP). The BOP concept was first popularised by Prahalad and Hart (2002) and posits that there is a vast, largely untapped market, among the world’s four billion poorest consumers who subsist on less than US$2 a day. This segment – also referred to as ‘survival markets’ (cf. WRI 2009) – is often ignored by multinational firms who have historically perceived these consumers as lacking disposable income, sufficient purchasing power, restricted by access to credit coupled by poor creditworthiness and an assessment that they are sluggish adopters of technology (Prahalad 2004, 8-13).

However in their influential paper, subsequently published in separate book length manuscripts (Hart 2005; Prahalad 2004), Prahalad and Hart (2002, 91) challenged these
commonly held ‘assumptions’ illustrating, by way of example of enterprise success, how firms overlooked poor consumers reasoning that they can only be serviced by ‘governments and NGOs’. They (2002) aimed to show how ‘invisible opportunities’ awaited savvy multinational firms and entrepreneurs in largely dormant markets. Almost as an addendum, but central to Prahalad’s (2004) later thesis, it was observed that this would stimulate private sector development and ultimately offer an expedient path to poverty reduction.

In an astute, if slightly visceral, critique of Prahalad (2004), Karnani (2007) has shed doubt on the ‘BOP proposition’. He terms it ‘seductively appealing, but…riddled with fallacies’ (Karnani 2007, 91). Citing the geographically dispersed nature of these markets, ‘cultural heterogeneity’ and information asymmetries he has reasoned that the purchasing power of the poor has been greatly exaggerated (Karnani 2007). Moreover he argues that it is premised on ‘exploitation of the poor’ and rests on the assumption that ‘consumption choices available to the poor can be increased by targeting various products and services such as shampoos, iodized salt and televisions at the BOP…[when] the only way he [sic] can purchase the newly available product is to divert expenditure from some other product’ (Karnani 2007, 97). While framing his critique within the same public choice framework which also informs Prahalad (2004), ultimately he argues that ‘the BOP proposition is characterised by much hyperbole’ (Karnani 2007, 108).

Putting these very real concerns aside for the moment, it is not surprising that this has proved an alluring concept to the new philanthropists. It marries a penchant for markets with entrepreneurial initiative, while seemingly offering clear-cut solutions to intractable and messy development problems. This serves to both validate the new philanthropy’s critique of official and charitable aid and enables the burgeoning community of MBA students, erstwhile technology entrepreneurs and management consultants to show that they are challenging, or at least proffering novel solutions, to systemic stasis. The new philanthropist’s fervour may be tempered by more measured expectations than management scholars such as Prahalad (who has nonetheless become something of a hero in the blogosphere). But the BOP proposition has certainly struck a cord with many in the evolving social entrepreneurship movement – or BOP movement as it sometimes refers – not least the Acumen Fund. It is to this venture fund that I now turn as an archetypal purveyor of new philanthropy’s ideas.

The Acumen Fund

Acumen is a ‘non-profit global venture fund that uses entrepreneurial approaches to solve problems of global poverty’ (Acumen Fund 2009a). It began its operations in 2001 under the stewardship of former Chase Manhattan banker and Rockefeller Foundation employee, Jacqueline Novogratz, with ‘seed capital’ from Rockefeller, the ‘Cisco Systems Foundation and three Silicon Valley individuals – representing from the start a collaboration among a traditional foundation, a high-tech corporate foundation and individuals’ (Novogratz 2007, 19). It has grown steadily over the past several years building a ‘network of investors and advisors’ and a ‘portfolio’ that covers diverse development sectors including water, health, housing, energy and agriculture (Acumen Fund 2009b).

Like Rockefeller and Gates, who Novogratz (2007, 19) acknowledges in an article in the MIT periodical, Innovations, ‘are exploring not only how to interact more effectively with
markets, but also to harness private sector initiative and resources’, Acumen shifts the focus away from partnerships with traditional non-profit organisations, instead directing its energy toward the development of small and medium enterprises (SMEs). Its operating ethos can therefore be located within the logic of the new philanthropy – entrepreneurial, outcomes focussed and, above all, market-driven. In contrast to traditional foundation types, however, Acumen Fund does not provide conventional grants to operational intermediaries. Rather using capital raised from charitable funds it makes principal investments (debt and/or equity) in ‘private, high growth companies that have the potential to deliver some measureable social and environmental benefit’ (Trelstad 2009, 1). The objective being to develop self-sustaining, ultimately profit-making, entities that return capital to Acumen – as opposed to the individuals and foundations that finance the entity – which then reinvests capital ‘in other enterprises’ (Novogratz 2007, 20).

Acumen’s organisational structure, approach to investments (grants being ostensibly outmoded) and prioritisation are therefore characteristic of a venture capital fund or private equity firm (Zaidman and Meehan 2005, 2). That is, it seeks the highest (social and environmental) returns within an investment universe of largely overlooked SME start-ups, but with a caveat: that the investment will heed long-term horizons and sustain (and generally incur) lower returns. Novogratz (2007, 30) describes this as patient capital, a process whereby Acumen (and others like hybrids such as Root Capital) accord investees ‘long-term commitments, a lot of management assistance, and sustained relationship building’.

At present Acumen Fund’s resources are minuscule relative to large players such as Gates and Rockefeller (which have, not incidentally, been some the Fund’s most ardent supporters). Its total investment portfolio is around US$20m. As of mid-2009 these investments included 26 ‘enterprises’ in Kenya, Tanzania, South Africa, India and Pakistan (Acumen Fund 2009c). In the world of philanthropy Acumen’s resources are therefore small, but its ambitions vast. By 2011 it aims to scale-up its activities ‘to US$100m in investments, touching 50 million lives’, with recognition that this will leave ‘98% unaffected by its work’ (Acumen Fund 2009d).

Moreover it maintains that its ‘impact’ will ‘extend beyond its portfolio’ (Acumen Fund 2009d). These aspirations are evident in its mission, which reads like a textbook case of the new development philanthropy, and for students of the history of giving, the language and metaphors of what Anheier and Leat (2006) have called the ‘new scientific philanthropy’. In brief this mission seeks to ‘transform the development paradigm from a top-down’ process, mindful that ‘charity…often fails to enable people to solve their problems’, while ‘market-based solutions have the potential to grow’ (Acumen Fund 2007, 3). At same time, though, it is cognisant of some of the markets inherent limits, particularly, following Prahalad (2004, 8) as this pertains to multinational firms tendency to disregard ‘low-income people as customers’ as per the BOP proposition (Acumen Fund 2007). To assess these claims, and to examine Acumen’s agent-centred approach to development, I now examine one of its early projects, the A to Z Textile Mills.

Malaria

Malaria remains one of the largest single killers in the developing world. On average it claims the lives of one million people, with an estimated ‘247 million episodes in 2006’, ‘86 per cent
of which occurred in ‘the African region’ (WHO 2008, vii). Not only does it generally kill children under five (85 per cent of deaths according to WHO (2008, 12)), but it causes enormous stress on overburdened health systems, while stymieing productivity by hindering worker’s capacity to gainfully contribute to the economy. By some estimates it costs ‘$12b’ a year in ‘lost productivity in Africa’ alone (CHAI 2009, 1).

In recent years foundations have been integral in both financing and developing new modalities for advancing malaria research, with the Gates Foundation, now one of the largest single players, and according to some critics, now surpassing WHO and it’s member states in both an agenda-setting and epistemic community role (McNeil 2008, 1). However while the development of effective treatments for increasingly resilient strains is of utmost importance, and ultimately an affordable vaccine the “holy grail”, in the interim preventative interventions such as long-lasting insecticidal nets (LLINs), remain one of the most effective ‘methods to combat malaria’ (WHO 2008, vii). Relatively inexpensive, easy to produce and in some senses marketable to both consumers and donors due to their innate simplicity, LLINs have become one of the most important tools in the fight against the spread of malaria.

Consequently bed nets have become a popular destination for philanthropic funds. Key sector actors such as the Clinton Foundation, through its Clinton HIV/AIDS Initiative (CHAI), and the United Nations Foundation (UNF), through its “Nothing But Nets” campaign, have embraced this simple, yet largely effective, technology and built-up large programmes that have seen hundreds of thousands of nets transferred to Africa through in-kind donations. These campaigns have employed innovative fundraising techniques, in particular the use of media and social networking to garner small donations from individuals and large institutional support, as in UNF, and CHAI, through the annual Clinton Global Initiative. Nonetheless while novel and deploying various models of public-private collaboration these have largely relied on conventional giving instruments such as grants or individual donations or what can be termed rudimentary pull incentives – mechanisms that stimulate production, in this case of LLINs, by signalling producers that there will be a buyer for their product.

A to Z Textile Mills: ‘Africa manufacturing its own solution’

However in the early 2000s, prior to the emergence of the UNF’s “Nothing But Nets Campaign”, the widespread distribution of LLINs and in some respects on the cusp of the mainstreaming of global health itself, an interesting multi-sectoral partnership emerged in which Acumen was an integral player. Like many PPPs, A to Z Textiles Mills Ltd, followed a familiar institutional evolution, the initial idea for a partnership being the brainchild of a highly networked agent, in this case WHO Malaria scientist Pierre Guillet. According to Karugu and Mwendwa (2007, 7) Guillet was motivated by the Abuja Declaration, an intergovernmental statement signed by fifty-three countries at the urging of the Roll Back Malaria (RBM) partnership, one of the first generation PPPs that emerged in the early 2000s. Encouraged by the new climate of collaboration, Guillet and others set about facilitating a technology transfer of the long lasting, yet not widely circulated insecticidal, Olyset®, patented by Sumitomo Chemical Ltd of Japan, which had recently been sanctioned by the WHO working group, the WHO Pesticide Evaluation Scheme (WHOPES) at Acumen’s behest (Field 2007, 1). But despite its proven safety (WHOPES 2000) and effectiveness
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(Tami et al 2004), and importantly Sumitomo’s willingness to ‘waive licence fees’ on a non-exclusive basis for the technology (Karugu and Mwendwa 2007, 10), questions remained regarding the best method by which nets could be more widely distributed in Africa.

Carpenter et al (2006, 1) have written that during the 4th Meeting of the Roll Back Malaria Global Partnership in Washington Guillet met with ‘Dr Steven Phillips, Medical Director for Global Issues and Projects at ExxonMobil’ and proposed the formation of a PPP – a modality that had gained recent popularity with policymakers and practitioners as a means to leverage the resources of public, private and civil society actors. By late 2002 a ‘full-fledged [PPP] that included A to Z Textile Mills, ExxonMobil, Population Services International, Sumitomo Chemical, UNICEF and WHO’ had emerged (Carpenter et al 2006). The respective partners then ‘gathered at a meeting convened by Acumen Fund in Geneva’ (Carpenter et al 2006, 1) to discuss the means by which the Japanese technology, at the time only produced at facilities in China, could be manufactured in Africa (Wise 2004, 885). The key outcome of the meeting and subsequent negotiations, ‘jointly announced’ by WHO, UNICEF and Acumen in late 2003 (WHO 2003, 1), was that indigenous production of LLINs would begin by local Tanzanian firm, A to Z Textile Mills Ltd, in Arusha, which at time had capacity to produce only polyester-based nets which required frequent retreatment (Field 2007, 2). This would partially tackle twin global policy problems: malaria (through the provision of nets that had four times the insecticide life of others on the African market), and poverty, (by creating manufacturing jobs in one world’s most marginalised regions).

In essence then, the PPP that ensued sought to develop localised capacity, with a conventional division of labour between the various public, private and IO bodies. Acumen, then a recent entrant to the philanthropic sector, provided a loan to finance the ‘transfer of technology’ from Sumitomo to A to Z Textile Mills (Acumen Fund 2005, 1); ExxonMobil ‘leveraged their capabilities around technical and project management’ (Carpenter et al 2006, 3) and sold ‘resin to A to Z’ as a raw material for net production (Karugu and Mwendwa 2007, 10). In the IO sphere, UNICEF, initially using some funds provided by ExxonMobil, agreed to procure and distribute nets, while WHOPe the directive which endorsed Sumitomo’s intellectual property. While accounts vary on which entity undertook ultimate partnership facilitation and coordination, with Fleet (2008) suggesting that RBM and WHO performed this function, Acumen makes various claims to this mantle asserting that it ‘catalyzed’ the PPP through its ‘crucial investment’ (Hill and Chi 2007, 7). Elsewhere a profile on Novogratz places the Acumen Fund at the centre of the network implying that the Fund was the key player at all stages of partnership formation (Field 2007, 2).

As a consequence the PPP deployed both push and pull incentives. On the one hand Acumen’s loan stimulated investment through the allocation of seed capital which enabled the prime industry player, A to Z Textile Mills, to transition to the production of LLINs. Additional push factors included ExxonMobil’s in-kind support and UNICEF’s and WHO’s advocacy function. On the other hand, UNICEF’s purchase guarantee sent a signal to (in this case a monopoly regional concern) that a durable market for its products would be available enabling A to Z to ramp up production and continue to expand its operations. It thus demonstrated many of the hallmarks of first generation PPPs in that it deployed incentives to ‘reduce costs during the’ development phase, but also in some respects the traits of an advanced market commitment (AMCs), in that a purchase guarantee provided A
to Z with confidence that it could realise profits to service the Acumen loan (on AMCs cf. Grace 2006, 1).

*Acumen, A to Z and the new philanthropy*

Like all PPPs A to Z Textile Mills was obviously a product of collaboration. Isolating the influence of individual actors is obviously difficult. It also carries inherent risks, particularly within complex network type environments. However the partnership, and in particular Acumen’s role in this partnership as it evolved from its early facilitation phase, does illuminate many of the defining features that characterise new paradigms – both in philanthropy and private sector models of international development. This can be observed on a number of levels.

Firstly, A to Z Textile Mills, as a for-profit manufacturing concern, at the time presented a somewhat unique case of multi-sectoral collaboration. Most early generation PPPs, particularly in the health sector were structured as ‘virtual’ non-profit pharmaceutical companies that leverage R&D resources to fill a gap vacated by multinational pharmaceutical companies (Widdus and White 2004, 7) seeking more profitable returns from “lifestyle diseases” (Evans 2002). By contrast A to Z Textiles Mills began and continues to operate, no doubt as a product of the depth of its association with Acumen, as a conventional business enterprise. In some senses then, it is more like an economic development project that would normally fall within the parameters of the World Bank’s International Development Association or International Finance Corporation’s remit but reliant largely on private sector finance.

Interestingly, given its promotion of the PPP’s success (cf. Hill and Chi 2007; Acumen Fund 2005), Acumen seems at pains to rationalise its association with a modality that incorporated ‘large institutional players in public health’ as well as a state actor (the Tanzanian government) in the network (Hill and Chi 2007, 7). Citing the ‘risks and limitations’ of partnering with governments, and ‘challenges’ it has encountered in other countries from public sectors seeking ‘kickbacks’ and ‘expensive bureaucratic processes’ that stymie investment effectiveness, it argues that in the case of A to Z ‘working within the system was a more effective strategy than trying to circumvent it’ (Hill and Chi 2007, 7). In many respects this statement captures its organisational identity and normative worldview – that private initiative which “empowers” agents (i.e. ‘local entrepreneurs’) is more likely to substantively alter the structures than the distribution of grants or donations.

At the same time, this sheds light on how many of the newer foundations, as well as critics of the aid regime (cf. Easterly 2006), perceive official-led development strategies: as ineffective, prone to leakage, duplication, and ultimately driven by short-term political considerations over long-term development outcomes, while ‘private aid’ is seen as efficient, nimble, ‘less susceptible to leakage’ and more readily able to circumvent politically corrupt state conduits (Desai and Kharas 2008, 65). So there has been a kind of dovetailing between on the one hand the growing number of business trained entrepreneurs migrating to philanthropy and on the other libertarian and conservative critiques of traditional development assistance, both of whom see the possibilities of the private sphere as a kind of panacea to official aid’s (often well-documented) failings. This appears to be challenging, if
only at the margins, the status of the aid regime as the preserve of specialists in civil society, official agencies and development banks.

Second, an additional, albeit important, element of the partnership between A to Z and Acumen is its discursive construction as a commercial relationship, or put differently, as a transaction between Acumen, as provider of a ‘below market’ loan (Hill and Chi 2007, 7), and A to Z, as an example of firm that would struggle, under normal circumstances, to gain access to private capital markets. In some respects it is difficult to ascertain the sincerity of much of the rhetoric which is manifest in Acumen’s public documentation. The Fund and its associates, or programme managers in conventional development speak, have fundamentally appropriated private sectors discourses. Acumen’s internal analysis of A to Z Textile Mills, publicly available through an Exited Investments document (cf. Hill and Chi 2007), for example, is replete with language that would previously have seemed incongruous in the development space, even with the marketisation of most aspects of social and political life that has occurred over the past three decades.

This marks a contrast with the participatory language of most mainstream NGOs. While there has been steady professionalisation of the development NGO sector, particularly among the core group of large international players who have developed best practice business administration and deploy savvy marketing techniques to raise donations, it is unlikely that Oxfam, would for instance, highlight ‘charging the poor for goods and services’ as one of the ‘key business insights’ gleaned from its participation in A to Z (Hill and Chi 2007, 7). That is, Acumen uses A to Z Textile Mills, a partnership from which it ‘exited’ in 2007 after its two loans were paid back, as an evidenced-based rebuttal of the common dictum that the poor ‘should not be charged for basic needs’ (Hill and Chi 2007, 7). It argues that this is the ‘wrong discussion’ in a ‘complex market’ as the poor can be divided into various market segments – ditto ‘upper income brackets’ – that with the right ‘cross-pricing models’ can afford to pay for LLINs (Hill and Chi 2007, 7). The implication being that traditional development actors – as well as multinational firms – do not fully understand how or why markets do or do not function at the BOP that scalable business-oriented approaches can rectify.

Third, the use of metrics, typified by the best available charitable option (BACO) ratio – that attempts to ‘quantify an investment’s social impact and compare it to the universe of existing charitable options for that explicit social issue’ (Acumen Fund Metrics Team 2007, 2) – provides further insight into how the new philanthropy operates. Acumen employs BACO as a gauge to test whether it investments will deliver superior outputs ‘per unit of input (in this case capital)’ relative to provision by another actor or agency (Trelstad 2008, 109). Instructively the Acumen Fund Metrics Team (2007, 2-3) has utilised A to Z as an example of how the BACO ratio informs decision-making, which is worth briefly canvassing.

Acumen begins by calculating the difference between a grant (‘a sunk cost’) and a loan with a six per cent ‘annual interest rate’ (Acumen Fund Metrics Team 2007, 2). So if “Charity A” (the BACO) commits US$325000, with additional ‘disbursement and management costs’ of US$65000 and Acumen US$325000, with higher ‘disbursement and management costs’ of US$130000 in recognition of the increased burden associated with its ‘hands on’ approach, then after five years the return to Acumen will be US$422500, while Charity A’s will naturally be $0. Then working on the assumption that Acumen investments have intrinsic
‘enterprise efficiencies’ over ‘public sector or nonprofit delivery models’ as ‘private sector cost structures and incentives will enable Acumen’s investees to show 50 to 100 percent cost recovery’ (Acumen Fund Metrics Team 2007, 2) it rationalises that it can produce 400000 nets against the BACO’s 92857 due to the lower cost of production. Applying the ‘technology leverage’ (i.e. LLINs), it estimates further that its doubles the ‘effective years of malaria protection’, ultimately arriving at a ‘cost-effectiveness multiple’ of 52 relative to the BACO.

To be sure, an emphasis on evaluation, whether in traditional grant-making foundations or NGOs, is hardly novel. All development actors attach substantive compliance procedures to monitor internal actor’s decisions and external recipient’s use of project finance. Many commentators have become increasingly critical of the diversionary costs associated with excessive reporting requirements, particularly on Southern public sectors burdened with the complications of servicing multiple agencies in an increasingly fragmented aid architecture. So in a sense then, adding additional layers of accountability would seem a somewhat paradoxical method for an entity seeking to “transform the development paradigm”. But nonetheless the application of instrumentalist and somewhat reductive models such as the BACO are designed to illustrate the superiority of business-like approaches. By appropriating business metrics the new foundations are able to clearly demonstrate whether a project should move forward in the hard-headed logic of cost-benefit analysis. Moreover given the fashion in which these metrics are framed this also serves to both illustrate how results will be delivered, while advantaging these entities in procuring funding from the corporate sector which is versed in such idioms.

The new philanthropy: Challenging or complementing the aid regime?

It cannot be inferred from this brief case that the new philanthropy is, or is likely to have, a substantive impact beyond the partnerships and projects that are receiving attention from Acumen Fund and other like organisational forms. The majority of private foundations either have limited interest in international development or direct resources toward conventional public-private modalities. As such some of the more hubristic literature – which claims that the new philanthropy (cf. Bishop and Green 2008) or new social entrepreneurship (cf. Elkington and Hartigan 2008) is radically altering international development – must be read with a degree of caution. Nonetheless the Acumen Fund and other actors in what Desai and Kharas (2008) have labelled the ‘California Consensus’ are gradually scaling-up their activities and offering alternatives that challenge the way development is conducted.

The implications of this remain uncertain. It is clear that international development discourses will continue to be dominated, and largely determined, by large official actors – development banks, ODA agencies etc – with agents of civil society – NGOs, social movements and associated academic research communities influencing from the margins. But, in returning to Knorringa and Helming’s (2008) admonition, the centrality of development studies in setting the agenda may indeed be under threat. This stems from coalescence of forces. On the one hand the growing interest in international development from disciplines such as management and organisational studies, particularly within MBA schools via the social entrepreneurship concept, is directly challenging other social science discipline’s “claim” to superior knowledge of development’s social and political processes.
On the other, this is being supported by a discernable growth in interest from private entrepreneurs in international development philanthropy. Given their disposition as entrepreneurs they are naturally more receptive to the private sector discourses on offer by newer foundation types like Acumen, while large-scale foundations such as Gates and Rockefeller, while avoiding the overt managerialism of some of the smaller players, are promoting more market-driven governance modalities such as PPPs.

This is reflected, in the US at least, in a growing informal ‘movement’ of highly-networked agents that are pushing for more entrepreneurial solutions to poverty reduction (Edwards 2009, 36). Drawing its members from the technology and finance sectors, and in particular relying on MBA graduates, the informal movement’s supporters, to paraphrase philanthrocapitalism’s most vocal critic, Edwards (2009), are simultaneously claiming to supply much needed finances to the resource constrained world of international development, while the adaptation of business thinking offers a set of catchy and attractive remedies to the complex and messy world of international development. At this stage it is difficult to know whether this will complement or challenge the existing aid regime. What appears certain, though, is that despite the hollow platitudes that are often associated with the new philanthropy its ideas and discourses are proving both attractive to policy makers versed in market-laden discourses and looking to other actors to share in the enormous burden of resolving issues of world poverty. Strangely, with a few notable exceptions (e.g. Edwards 2008) development studies scholars have remained largely silent on this phenomenon. If Knorringa and Helmsing (2008), are right, they may indeed be doing so at the discipline’s peril.
References


