

# Philanthropy's go-betweens

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In 2006 Warren Buffett decided to pass on US\$30 billion of his fortune to the Bill & Melinda Gates Foundation because, as he told newspapers at the time, he saw in the Foundation the intermediary that could produce as much impact for his social investment as possible.



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But Warren Buffett's gift is not your day-to-day story in the world of intermediaries. The Local Initiatives Support Corporation (LISC), set up by the Ford Foundation in 1979 to identify and support 50 to 100 community-led development initiatives in the US, was the first modern intermediary in philanthropy to pool funds for a special purpose. The LISC is still around, spending \$1 billion for community development in 2007. It combines the three main functions that foundations and donors seek in an intermediary: regranteeing the funds of several institutions to grantees; providing specialist knowledge and/or capacity-building for civil society organizations (CSOs); and a platform for joint advocacy, research or policy work.

Since the end of the 1970s, a great variety of go-betweens have been set up to offer specialist services to foundations and individual donors. Some of these are market-driven. Others offer expertise on a certain topic (women, climate, etc), method (strategic planning, back office services, etc) or geographic region that a donor may not want to invest in itself.

## A new generation of intermediaries

More recently, new kinds of go-betweens have emerged. Some private wealth management departments of banks or philanthropic advisers may act as intermediaries. In this case there will be a clear focus on the relationship between the 'customer' and the agent. The intermediary manages the process of identifying grantees and connecting them to the grant-giver, or even the whole funding process.

Social investment funds offer donors the opportunity to invest in a selected group of CSOs. The funds normally concentrate on a few strategic tasks like fighting poverty or education and on a limited number of organizations that they support over a longer period of time. Wolfgang Hafenmayer, Managing Partner of LGT

Venture Philanthropy, says: 'The organizations that we support . . . have gone through an intense due diligence process and we have developed together with them a plan to grow their positive impact.'

Social stock exchanges, which already exist in Brazil and South Africa, will be the next level of intermediaries, creating transparency for CSOs. Such exchanges offer assessments of CSOs and a great variety of ways that a donor can invest in them. With the rise of the internet the number of so-called pass-through intermediaries grows steadily. Organizations like GlobalGiving or GiveIndia ensure the quality of the projects and organizations posted on the virtual marketplace. Donors are first connected virtually with a CSO or social entrepreneur and then a real donor-grantee relationship is established.

In a 2007 study by Sarah Cooch and Mark Kramer of FSG Social Impact Advisors on mission investment intermediaries in the field of economic development, housing and environment in the US, the authors compiled a database of more than 1,000 such go-betweens. Admittedly, the list included a large number of banks and regional development agencies, but the study nevertheless demonstrates the field's diversity.

## The attractions of intermediaries

It seems to follow that as the field of philanthropy grows, the market for intermediaries grows too. As noted, donors and foundations are mainly attracted to intermediaries because of their specialist knowledge. They know local conditions and laws, beneficiaries' needs, and the opportunities and threats for effective grantmaking. Wamuyu Mahinda, CEO of the Kenya-based development organization Allavida, underlines this: 'For us East Africa is on the doorstep. We know the people, their day-to-day challenges, their dreams and aspirations, and can integrate this knowledge in our work for others.'

Burkard Gnärig, Executive Director of the Berlin Civil Society Center, points out that the large CSOs like Oxfam, Save the Children or WWF often function as intermediaries. Their networks of local partners around the world and their expert knowledge are attractive for donors. Especially in international giving, these intermediaries often act as the bridge builders or beachheads into another culture.

For donors that are new to philanthropy or a certain thematic area, an intermediary can be the ideal guide, allowing them the chance to get to know the whole project cycle: researching a project idea, assessing potential grantees and monitoring funded organiza-

tions. In addition, the intermediary opens up its network of CSOs and other go-betweens to the donor.

### Collaborative intermediaries

Some intermediaries bring together resources for one purpose, such as giving circles among individuals. On the municipal level, community foundations have become one of the most successful tools for bringing the resources of a variety of parties together for one cause: the local community. On the national, regional and international level, collaborative intermediaries like Mama Cash, the German foundation for women, *filia*, the Network of European Foundations (NEF) or the Global Fund to Fight AIDS, Tuberculosis and Malaria pool funds to increase the impact of grants. As Luc Tayart de Borms, Managing Director of the King Baudouin Foundation, points out, the pooling of funds through NEF was a key to developing truly European funding initiatives on issues such as migration or the European Citizen Consultation (ECC). They allow the grantmaker to learn on a bigger scale about an issue and to share ideas, strategies and experiences with other grantmakers. Often the key funders have an active say in strategy, management and impact assessment.

Collaborative intermediaries rely very much on trust among the initiators and also on their willingness to step back and let a new entity enter the public realm. Such collaboration will always mean that the donor is willing to make a substantial investment not only in money but also in time, knowledge and skills.

### Economies of scale

Individual donors are often reluctant to pay administrative fees to a third party for allocating their funds. However, some intermediaries have shown that economies of scale can beat this objection. Chet Tchozewski of Global Greengrants Fund, which makes small grants to environmental activities in developing countries in the fields of environment, social justice and poverty, gives another reason why intermediaries may have a cost advantage: 'We use a pre-existing social network of advisers who are doing this for free. Why? Because we come from the same movement as they do.' GGF is an example of an adaptive network that creates a very efficient way of giving out small grants around the world – in fact, so efficient that even larger foundations, such as the Ford and Mott Foundations, who have their own organiza-

tions on the ground, and companies such as Aveda (see p20), are using its value-added small grants services.

In addition, depending on the country, there are also some tax incentives for working with intermediaries. If you make a grant to Global Fund for Women, for example, you can get a US tax deduction and get your money out to a developing country women's group.

### Any disadvantages to the relationship?

Crucial to donor-intermediary partnerships are trust and freedom of choice. The intermediary will manage the donor's funds in one way or the other, so the intermediary needs to prove its track record and its cost-benefit ratio. It has to document crucial steps in its work and prove the impact of its services.

There is also the question of how far a donor can influence the funding priorities of the intermediary. Most of them act, and see themselves, as independent entities; they do not want, or simply don't have the resources, to discuss with donors in detail which CSOs to fund or what part of the work of such an organization should be funded. In these partnerships, the donor will have to forgo sole ownership of a project or idea. In fact, having to forgo the limelight might be one of the reasons why donors have found it difficult to work with others – be it in pooled funds or giving through intermediaries, often in projects co-funded by a number of different-sized donors.

### Weighing up the pros and cons

Warren Buffett decided that the Bill & Melinda Gates Foundation was for him the perfect intermediary because of its project portfolio and also because of its experience of investing substantial amounts of money in civil society. Every philanthropist will have to weigh the pros and cons of working through an intermediary for themselves. There is enormous potential in the work with intermediaries. The cautious philanthropist may draw on William Shakespeare's sentences in *Much Ado about Nothing*:

*Friendship is constant in all other things  
Save in the office and affairs of love:  
Therefore all hearts in love use their own tongues;  
Let every eye negotiate for itself  
And trust no agent.*

Philanthropy is, after all, the love of humankind. The drama these days is that the challenges humankind faces are so large that in the end philanthropy must be about collaboration and sharing tasks with specialists. It's a good thing that Shakespeare only talked about lovers and not society. @