The New York Times

March 9, 2008 Sunday
Late Edition - Final

For Good, Measure

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SECTION: Section MM; Column 0; Magazine; THE **MONEY ISSUE**; Pg. 62

LENGTH: 4107 words

Philanthropy's largest problem these days probably isn't a lack of big gifts. Over the past few years, new records have been set in the number of individual donations of $100 million or more, and talking with those in the philanthropic community who advise potential donors reveals a sense of widespread anticipation that many billions of dollars, earned during the recent boom in the hedge-fund and private-equity markets, will soon pour into the social sector. At a moment of widespread economic distress, philanthropy is a growth industry, its golden age, at least in terms of dollars spent, almost certainly yet to come. Last year, America's top giver, according to The Chronicle of Philanthropy's rankings, was William Barron Hilton of the Hilton hotel chain, who pledged $1.2 billion. The financier George Soros was No. 4 ($475 million), Mayor Michael Bloomberg of New York was No. 7 ($205 million) and Pierre Omidyar, the founder of eBay, and his wife, Pam, finished at No. 21 ($98 million).

The question that troubles many of the newest philanthropists, though, is whether their bequests will have a notable impact. Much of their money either goes into or comes out of private foundations, those largely opaque institutions with huge endowments that, in the jargon-rich environment of philanthropy, differ from charities like the Red Cross in their tendency to engage in long-term ''strategic grant-making.'' Such foundations do not exist to give emergency aid during crises arising from war or natural disaster; instead, their purpose is to attack social and scientific problems at the root, a process that sometimes requires substantial allocations of grant money over 5, 10 or even 20 years. That's a long time to wait before you know whether your money is doing any good. As Judith Rodin, the head of the Rockefeller Foundation since 2005, puts it: ''Critics have talked about the field of philanthropy and said: 'Has it really made a difference. And how would you know?' '' To Rodin, these are perfectly legitimate questions, even when they're posed indiscreetly by business titans who only recently entered the genteel world of charity. ''If we really want to do work that makes a difference, work that has some effect, then we have to know whether it is working,'' she told me recently. ''And if you really do it well, you don't only want to know what works; you want to know how it works.''

It's not a simple task. As far back as the late 19th century, John D. Rockefeller anguished over where his charitable donations might make the biggest difference. In recent years, one guiding idea behind strategic grants, whether from old-money institutions like the Rockefeller Foundation or new-money outfits like the Bill and Melinda Gates Foundation, is that they fill gaps in the modern economy opened up by the neglect or failures of the marketplace. ''They're the only unrestricted pool of funds to finance innovation in the social sector and to facilitate major social change,'' says Joel Fleishman, a professor at Duke who recently wrote a book on the role of private foundations in American life. Fleishman explains that foundations can take risks that private companies might shun and can also finance programs that governments might be unable (or unwilling) to support. Foundations can thus experiment with cures for poverty or disease that are largely unproven, with the hope that evidence of success will entice private enterprises, politicians or other foundations to follow suit.

Of course, experiments can fail, too. When Warren Buffett announced in 2006 that he would donate his billions to the Gates Foundation, the news of his gift eclipsed his dark observation at the same time that philanthropies are ''tackling problems that have resisted great intellect and lots of money.'' But that resistance doesn't have to be permanent. Why shouldn't the world's smartest capitalists be able to figure out more effective ways to give out money now? And why shouldn't they want to make sure their philanthropy has significant social impact? If they can measure impact, couldn't they get past the resistance that Buffett highlighted and finally separate what works from what doesn't?

One paradox of social investment, whether by governments or private foundations, is that spending more doesn't necessarily produce a greater impact. This is the main reason that over the past few years a number of foundations have become increasingly interested in -- you might even say obsessed with -- measuring the efficiency and effectiveness of their work. Basically their attitude is, If you really want to change the world, first you need to start measuring how (and how much) you're changing it -- because only a clear understanding of your results will enable you to expand the programs that work and jettison the ones that don't.

Rockefeller's Judith Rodin, who spent 10 years as the president of the University of Pennsylvania, told me she believes that in this respect philanthropies are ''less mature'' than universities, which for decades have tracked the performance of their endowments, the academic qualifications of their incoming students and the achievements of their faculty. Gene Tempel, who runs the Center on Philanthropy at Indiana University, says that universities have become more and more willing to go beyond those basic measures in a quest for improvement. Many universities would originally only measure ''inputs'' -- that is, the grades and tests scores of incoming students. ''No one was actually focused on how many students stayed or how they learned,'' Tempel says. Eventually, schools began measuring ''outcomes'' to calculate the number of graduates going on to obtain high-paying jobs or higher degrees. ''But the final question is,'' Tempel says, ''What impact is this student having on society -- how many of our alumni are doing what? For instance, how many of them patented inventions to treat diseases?'' This kind of data can be incredibly important to a school. At the same time, it is also the most difficult to interpret. Can a university actually take credit for a graduate's achievements later in life? If so, how much? And if a school solves the credit equation, how does it reproduce that success with its current students?

Within the philanthropy community, there seems to be some agreement that the push for measurements, or ''metrics,'' as they are more often called, started in earnest during the past decade when a few foundations began, like universities, trying to evaluate the impact of their spending. Metrics were not an entirely new idea. For many years, the wealthiest philanthropies, like the Ford Foundation and the Robert Wood Johnson Foundation, have used controlled trials, similar to what pharmaceutical companies do in comparing new drugs and placebos, to test the effectiveness of some of the social or scientific programs they financed. By tracking participants over many years in various programs -- in early childhood education, for instance --

foundations would come to understand whether a program was worth expanding on a larger scale.

Randomized trials are expensive and time consuming, however. And in their stead foundations have more recently turned to other types of evaluation. In one recent survey by the Urban Institute and Grantmakers for Effective Organizations, a nonprofit that advises foundations, 43 percent of all staffed foundations in the U.S. said they formally evaluate the work financed by their grants to nonprofit organizations. According to Kathleen Enright, G.E.O.'s executive director, there is an enormous range in how foundations measure the impact of their grants. Often, she points out, organizations rely on something called ''logic models'' to add analytical rigor. These begin with a hypothetical ''theory of change'' and are essentially formulas that explain how financing can solve a social problem. For example, a nonprofit seeking funds from a foundation might theorize that a summer tutoring program will improve a school's standardized test results. The application might propose a measurable goal, too, like a percentage increase in scores. For some foundations, models and measurable goals help them choose among the swarm of nonprofits seeking money for social programs.

But social philanthropy can get immensely complicated. While setting goals and performing evaluations for a modest grant, like one given to a small after-school program, can be relatively simple, huge grants that finance experimental programs for intractable problems -- poverty, say -- are more like a moonshot. How do you figure out what the goals should be? And then how do you measure the process once it is under way? As Fay Twersky, the director of impact planning at the Bill and Melinda Gates Foundation, told me, ''Sometimes we're working on the edge of what is known and what has been tried.'' And yet it's that kind of work -- the kind that might achieve some transcendent impact -- that foundations like hers want to pursue.

One such ambitious program, to improve agriculture in sub-Saharan Africa, began in recent months. The basic blueprint for the Alliance for a Green Revolution in Africa (AGRA) is more than a half-century old. Beginning in the early 1940s, the Rockefeller Foundation embarked on an agricultural project to increase crop yields, including rice and wheat, in Latin America and Asia. The first Green Revolution, as it eventually became known, doubled and even tripled grain production in many third-world countries. Rockefeller didn't finance the work alone; early on it was joined by the U.S. government and the Ford Foundation and later by the World Bank and other foreign aid organizations. Still, Rockefeller is widely viewed as the driving force. The Green Revolution is generally believed to have saved one billion lives over six decades, making it arguably the single-most-effective philanthropic initiative in human history.

For the past few years, Rockefeller has subsidized a small seed-breeding program in Nairobi, Kenya, to help farmers increase their yields, but the Green Revolution never really made it to Africa, at least not on a broad scale. The challenges there are more daunting, not only for geopolitical reasons but also because the continent's farming economy is especially diverse. Staple crops aren't merely rice and wheat; they include sorghum, cowpea, cassava, maize and a half-dozen others. Moreover, there are wide ranges in altitude and amounts of rainfall, just as disease outbreaks and insect infestations vary regionally. To have a broad impact on crops, then, it isn't enough to improve only maize -- that would be culturally unacceptable in countries that depend on cassava. Even in countries where maize is a staple, more than a single new seed with enhanced drought or disease resistance is needed; variations are required for farms at all different altitudes. Other complicating factors include massive erosion and poor soils, along with agricultural markets (where farmers ought to be able to buy supplies and sell their crops) that barely function.

It is likely that Rockefeller's work in Africa would have remained modest had some strategists at the Gates Foundation not decided to consider the root causes of African poverty a few years ago. When I spoke with Rajiv Shah, who runs the agricultural-development program there, he remarked that no society has moved a large portion of its population out of poverty without a sustained effort to improve its agriculture. He also said that field research by his foundation in 2005 made it clear that agriculture is the source of both food and income for most of the African population -- and that the continent is the only one where productivity has been flat or declining. It's been rising on all the others, Shah said. And so when the Gates Foundation decided that agriculture was the right ''lever,'' in Shah's words, the foundation opened discussions with Rockefeller about expanding the latter's seed program in Kenya, which has been costing about $20 million a year. So far, Gates has committed a total of $264.5 million and Rockefeller $75 million for the AGRA program's first five years -- and the two groups will probably soon pledge another combined $100 million or $150 million as more details are worked out this year.

The Green Revolution for Africa has a clear logic model behind it. If AGRA can provide farmers with more resilient seed varieties and if it can then supplement them with strategies to enhance soil fertility, greater and more stable crop yields will result. And if AGRA can do all that where more equitable and efficient agricultural markets prevail, says Gary Toenniessen, who runs the Rockefeller Foundation's agricultural programs, then those increased yields should lead to increased profits for the farmers. In turn, the combination of higher yields and profits will lead to greater food security and economic growth for the farmers and their countries. ''That's our theory of change,'' Toenniessen told me.

Rockefeller and Gates expect that over the course of 20 years AGRA will move tens of millions of African farmers out of poverty. But coming up with actual numbers -- even a range like ''tens of millions'' -- for the program's impact has been a complex endeavor. Before the Gates Foundation put hundreds of millions of dollars into the program, it had to be persuaded by the numbers in Toenniessen's hypothetical model, like how many new seed varieties could be developed and how many Africans would need to be taught to run the breeding work. The Gates Foundation also had to be assured that the program would undergo constant scrutiny as it was rolled out. As some of the new seed varieties are planted over the next few years, for instance, the crops will be measured in terms of both health and height by agricultural workers who will take specially programmed cellphones into their fields to collect and transmit the data. The farmers will also conduct a number of randomized trials by using a control group of crops to compare the health of new seed varieties with the old varieties. Such measurements may be the only way to make midcourse corrections possible. If a new seed or strategy isn't working, the evaluations allow Rockefeller and Gates to take a new tack before a part of the program fails entirely.

Laying out a clear strategy to predict, and then measure, the program's impact serves another, less obvious goal too: it clarifies the cost-benefit aspects of the program. When Gary Toenniessen proposed that AGRA train 50 new Ph.D.'s to be crop breeders, for instance, Gates representatives asked the Rockefeller Foundation to estimate both the cost of that training and how many farmers could be moved out of poverty from the increased crop yields produced by 50 new breeders. In Toenniessen's view, that is a difficult estimation because it tries to derive a hard number from an unpredictable chain of events. From the point of view of the Gates Foundation -- where the reigning belief seems to be that even a grant of several hundred million dollars is a small amount set beside the magnitude of suffering in sub-Saharan Africa -- it is nonetheless a necessary calculation because it helps the donor judge whether a grant holds the promise of a sizable impact. In this sense, AGRA resembles an investment more than a charity. With its focus on better seed technology and free markets and measurable financial goals, the project could easily be viewed as an experimental start-up business.

Judith Rodin has led something close to an overhaul of the Rockefeller Foundation since becoming president of the old-line philanthropy three years ago. (Recently she went so far as to hire a vice president to focus on evaluations.) Indeed, she now talks of her foundation's grants as investments to create sustainable change -- a ''portfolio,'' in her words, in which risk is balanced, dispersed and hedged. AGRA would be among the riskiest of the foundation's current programs, she told me. But she also points out that portfolio theory suggests that the higher the risk, the higher the return.

It can be baffling, at times, trying to figure out which foundations merely want to measure the impact of the work they do and which hope to use metrics as part of a philosophical reappraisal of their approach to philanthropy. (One foundation president told me, referring to these distinctions, ''I think most of the people in philanthropy don't even understand it yet.'') Several people in the philanthropic community I spoke with grouped foundations into a kind of pyramid. Most foundations (those at the lowest level) conduct occasional evaluations, perhaps collecting anecdotal and some numerical data to measure the results of the programs they underwrite. Those that are more serious about measuring impacts (these might be in the middle tier) have tried to implement formal evaluation methods, perhaps even spending large sums on randomized trials. Some of these foundations, like the Carnegie Corporation, have taken the rare step of sharing some information about their failures with other foundations and with the public.

At the radical top, however, are a handful of foundations that have begun to approach philanthropy the way a money manager might, considering not only whether a theory of change for a particular program is correct but also whether a grant can result in a good ''return'' on investment. Paul Brest, the president of the Hewlett Foundation, which is experimenting with this approach, addresses this subject in a forthcoming book. ''I think these attempts for philanthropies to think as investors as a metaphor is fairly new,'' Brest told me, ''and so is the decision to use metrics to help you guide those investment decisions.'' Brest traces the impulse back to the late 1990s and to a Bay-Area foundation then known as the Roberts Enterprise Development Fund, which was run by Jed Emerson. Brest says that what Emerson did in the late 1990s, at the behest of the philanthropist George Roberts (the ''R'' in the leveraged buyout firm Kohlberg Kravis Roberts), was back small entrepreneurial ventures (for example, cafes or bike-repair shops that employed recovering addicts or the formerly homeless) and then measure -- even monetarily -- the effects. The Roberts fund calculated that a charitable grant to a nonprofit would yield an array of monetary benefits to the newly employed (better incomes and financial stability) as well as social benefits (new tax receipts from new-employee income, lower social service costs). The fund's charitable grant, in other words, produced ongoing ''social returns'' that greatly magnified the amount of the initial investment.

The Roberts fund's methods turned out to be too complex to replicate on any larger scale. But its ideas appear to have spread as they challenged the common assumption that creating financial value (as a corporation might) and creating social value (as a philanthropy might) are necessarily different pursuits. And the methods suggested that a philanthropy was by no means crass in trying to work out a meticulous cost-benefit analysis and applying the results to the creation of an investment portfolio. Emerson is now a senior strategist for two organizations that are almost certainly on the bleeding edge of using metrics to make more effective grants: the Edna McConnell Clark Foundation in New York and Generation Investment Management in London.

Aspects of the investor mentality, while still a minority viewpoint in the philanthropic sector, have by now influenced various social-venture funds around the country as well as powerful new institutions like the Gates Foundation. You can see it in the way Gates approached the AGRA investment. Soil improvements in Africa, for instance, will entail a basic cost per farm household of about $40 (for fertilizers and the like). The strategists at the Gates Foundation calculated that $40 for better soil will generate well over $40 in additional income for the farmers; it will also allow farm families to grow more food for themselves and thereby alleviate malnutrition. By the foundation's standards, this is an appealing projection. It clearly indicates that returns should far exceed the costs of the program.

Other organizations have taken things even further. Four years ago, the Robin Hood foundation, which was started in New York by hedge-fund managers in the late 1980s, began working out a set of sophisticated metrics to explore the cost-benefit ratio, in dollars, of every grant it made to fight poverty. That way it could compare the expected returns of some grants with others -- job training versus school tutoring, for instance. The goal is to ensure that the Robin Hood money is always going to the most effective antipoverty cause. A handful of other foundations, meanwhile, seem to be testing just how porous the divide between private and public investment may be. The Acumen Fund, for instance, a $48 million private-equity fund begun in 2001, invests mostly in private companies and entrepreneurs that serve the world's poorest populations; before spending its dollars, Acumen compares the effectiveness of any potential investment with that of a more traditional charitable option. And Google.org, the philanthropic arm of the Internet search company, has proclaimed that it will invest in both nonprofit and for-profit ventures -- raising the question, What's the difference? -- in order to spark and sustain larger social changes.

There is some worry that all these efforts may be pushing philanthropy in the wrong direction, toward a point where donors become obsessed with projected impacts, overly taken with data-driven efficiency, too sold on the idea that financial and social investment are roughly equivalent. Gene Tempel at Indiana University wonders if the growing reliance on metrics and cost-benefit analyses will create unrealistic expectations about what is possible in philanthropy. ''The notion of return on investment is something that those in the private sector understand so well,'' Tempel says. ''In the private sector, it's fairly easy to measure the profitability of a business, a stock return and so on. But in most social-sector organizations, it's not so simple.'' Numbers cannot capture everything, Tempel says, and the margins of error can be enormous. And it is conceivable that philanthropy itself might be demeaned by a process that depends less and less on the bond of trust between, say, a foundation and its beneficiary and more and more on an algorithm that calculates the quantitative return on a grant. Joel Fleishman, the Duke professor, points out that there have been spectacular successes in 20th-century philanthropy that did not require sophisticated metrics and portfolio theory. ''I believe that foundations did very good things before they ever started being formally strategic,'' he says.

At the same time, it is easy to see why some of the newest entrants to the field would look at the political culture of traditional grant-making and ask why they shouldn't blow it up. ''They've been asking some embarrassing questions, like how come education test scores continue to plummet?'' Jed Emerson, the Roberts fund founding director, told me recently. ''They've also been asking, Is a traditional approach to philanthropy effective? In what ways is it? In what ways is it not? And how do you prove it?'' Even some members of the establishment, like Paul Brest, the Hewlett Foundation president, see this as invigorating. Brest worries slightly that a philanthropic community too focused on equating grants with cost-benefit measurement could veer toward projects that are easily measured. Such a tilt could give short shrift to the performing arts. Another possible danger is an inclination to compare the hypothetical ''returns'' of financing a project on climate change, say, with a program to help disaffected youth. ''There are apples and oranges,'' he says, ''and then there are apples and kangaroos.''

Still, Brest adds, what he likes about some of the boldest metrics initiatives at foundations is that they are starting to push the entire field forward. In that regard, they may be taking up the challenge Warren Buffett observed -- to attack problems that have resisted vast sums and great minds -- when he made his donation to Gates. The foundations that finance social innovation could conceivably use a little innovation themselves. ''If people don't try,'' Brest says, ''then we're not going to find out what the limits are.''

URL: http://www.nytimes.com

LOAD-DATE: March 9, 2008

LANGUAGE: ENGLISH

GRAPHIC: DRAWING: A NEW GREEN REVOLUTION?: The Alliance for a Green Revolution in Africa is trying to improve the lives of small farmers -- and all Africans -- by increasing crop yields and creating better access to markets. Since it was announced in 2006, the alliance, which is supported by the Rockefeller Foundation and the Bill and Melinda Gates Foundation, has awarded some $34 million in grants. (Source: Alliance for a Green Revolution in Africa) (DRAWING BY LORENZO PETRANTONI)
PHOTO: Socheata Poeuv 27, Khmer Legacies, New Haven Poeuv was born in a Thai refugee camp to Cambodian parents who fled the Khmer Rouge. She was 22 when her parents revealed that the two women she thought were her older sisters were in fact her mother's sister's daughters, orphaned by Pol Pot's regime. She also discovered that her older brother was her half brother -- a surviving child from her mother's murdered first husband. Her curiosity about her parents' long silence led her to make a film about her personal history, called ''New Year Baby.'' She has now started ''Khmer Legacies,'' a project in which children interview their parents about surviving the Cambodian genocide and which she hopes will result in 10,000 videotaped testimonials. ''You've got to change the silence that surrounds this, and the way that Cambodian parents talk to their children and children talk to their parents. There really is a threat of this culture being completely invisible if people don't step forward to remember and distinguish it.'' (PHOTOGRAPH BY CHRISTIAN OTH FOR THE NEW YORK TIMES)

PUBLICATION-TYPE: Newspaper