WHEN PHILANTHROPY MEETS ADVOCACY
By Patrick Guerriero & Susan Wolf Ditkoff

TEN REASONS NOT TO MEASURE IMPACT—AND WHAT TO DO INSTEAD
By Mary Kay Gugerty & Dean Karlan

THE ETHICS OF DESIGNING DIGITAL INFRASTRUCTURE
By Lucy Bernholz & Lyndon Ormond-Parker

Stanford SOCIAL INNOVATION Review

The Rise of Philanthropy LLCs

The for-profit limited liability company is poised to become the preferred vehicle for the nation's elite philanthropists.

BY DANA BRAKMAN REISER

VOTE

Philanthropy in Democratic Societies

Edited by Rob Reich, Chiara Cordelli and Lucy Bernholz

—

Philanthropy in Democratic Societies brings together expert philosophers, sociologists, political scientists, historians, and legal scholars to ask fundamental and pressing questions about philanthropy's role in democratic societies.

This book can be purchased from The University of Chicago Press and popular booksellers.

"Philanthropy in Democratic Societies begins an urgently needed discussion of the ethical questions raised by the changing role of philanthropy in the United States and elsewhere."

Peter Singer, author of *The Most Good You Can Do*
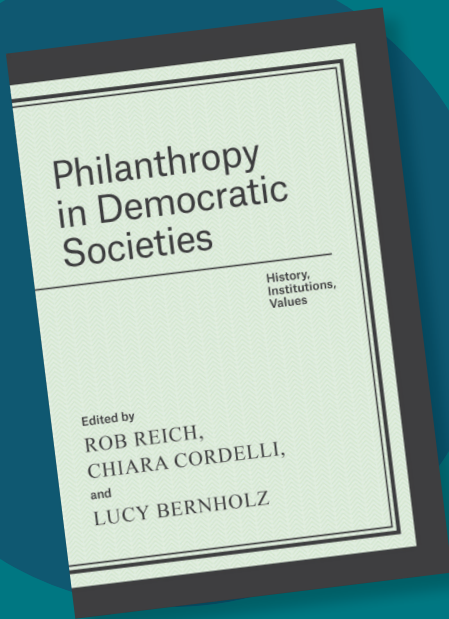
Innovation and Scaling for Impact: How Effective Social Enterprises Do It
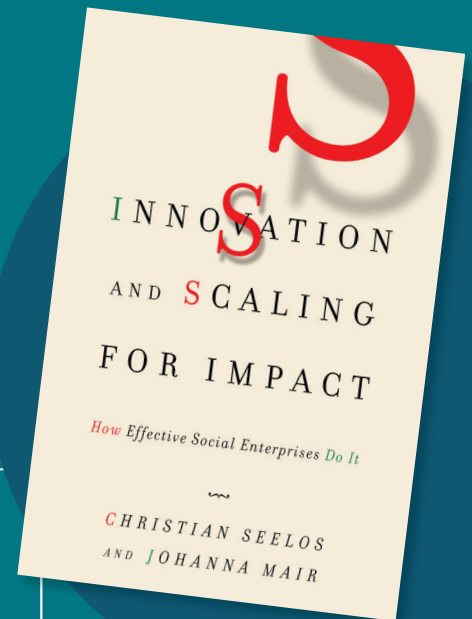
Christian Seelos and Johanna Mair

—

Drawing on a decade of research, Christian Seelos and Johanna Mair transcend widely held misconceptions, getting to the core of what a sound impact strategy entails in the nonprofit world. They reveal an overlooked nexus between investments that might not pan out (innovation) and expansion based on existing strengths (scaling). In the process, it becomes clear that managing this tension is a difficult balancing act that fundamentally defines an organization and its impact.

This book can be purchased from Stanford University Press and popular booksellers.

"No one understands the delicate balance between innovation and scale better than Christian Seelos and Johanna Mair. Their new book is equally rigorous and dynamic, illuminating the way forward for all of us on the frontlines of social change."

Darren Walker, President, the Ford Foundation

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EDITOR'S NOTE

Different Strokes

I have been traveling quite a bit recently, and one of the things that have become much clearer to me is that social innovation really does take different forms in different countries. This is something I have always thought was true, but the more I meet and talk with people from around the world, the more certain I am that this is the case.

One of the ways that these differences manifest themselves is in the types of organizations that people use to foster social innovation. In the United States and much of Europe, nonprofit and philanthropic organizations have been the primary vehicles for social innovation. But in other parts of the world, for-profit businesses are either leading or likely to lead the way.

In March, I was in Beijing to participate in a conference on philanthropy put on by *Stanford Social Innovation Review*'s parent organization, the Stanford Center on Philanthropy and Civil Society, and the publisher of *SSIR China*, Leping Social Entrepreneur Foundation. This is my third trip to Beijing in as many years to attend this gathering, and one of the striking things is the large number of people from business attending, many more than one would see at a philanthropy event in the United States.

Some of the business people attending the gathering, which this year was titled "Blurring of the Boundaries," were there because they wanted to learn more about philanthropy. But many more were there because they wanted to learn how the business they worked at or led could be a force for social good. The reason for this is that in China, businesses are more likely than nonprofits to take the lead in fostering social innovation.

One of the main reasons for this is that it is much easier to start and operate a business in China than it is to start and operate a nonprofit. The Chinese government has shown for the last few decades that it is comfortable with capitalism and has given businesses fairly wide latitude in which to operate.

The same cannot be said for nonprofits and philanthropy, which operate under laws that restrict what types of activities they can engage in and how they can raise money. The government would like these organizations to provide some of the social services that are desperately needed—such as health care and education for the rural poor—but it does not want them to give rise to social movements or a vibrant civil society that operates outside the control of the government.

China is home, however, to numerous social businesses, including seven B Corps, with many others undergoing the certification process. One B Corp is People's Architecture Office, a business I visited that is located in one of the older districts (*hutongs*) in the center of Beijing. The firm takes on big projects to pay the bills but has also developed creative and inexpensive ways of retrofitting the older homes in the *hutongs*, where many of Beijing's elderly and low income residents live. I expect to see many other mission-driven firms like this emerge in China.

—ERIC NEE

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ONLINE SERIES

Picture This

How we frame social issues profoundly influences our understanding of them, and how we think and talk about solutions. Picture This, a multi-part series presented in partnership with The Communications Network, the FrameWorks Institute, and leading nonprofits, examines the framing of issues ranging from gun and sexual violence to immigration and housing. ssir.org/picture_this

Civil Society for the 21st Century

American civil society is almost incomprehensively vast and diverse, touching nearly every aspect of our daily lives in profound—though often unnoticed—ways. Civil Society for the 21st Century, a series presented in partnership with Independent Sector, brings together a wide variety of today's leading thinkers and practitioners to explore the charitable sector's origins and evolution, its boundaries and blind spots, its values and variety, and its obstacles and opportunities.

PODCASTS

How should social sector organizations examine their data privacy and governance practices to align with the demands of the law, their constituents, and their missions? Lucy Bernholz, a senior research scholar at Stanford's Center on Philanthropy and Civil Society and the director of the Digital Civil Society Lab, discusses the question with Alix Dunn, executive director and cofounder of the Engine Room, and Amy O'Donnell, the information communications technology program lead at Oxfam.

Listen to this and other conversations and talks: ssir.org/podcasts

addressing the structural problems in society that cause injustices and inequities to persist. Rather than ignore (or deliberately undermine) the role of democratic government, many Ashoka Fellows are doing the work they do in response to policies that hurt people."

—**Michael Zakaras** and **Odin Mühlenbein**, *director of strategy and partnerships at Ashoka United States and project manager of Ashoka's Globalizer program*

AUTHORS REPLIED:

"We understand that in limited cases, social enterprise and social entrepreneurship can be of benefit to particular individuals. But SEE cannot solve the major social problems of our time, contrary to the claims of its advocates. Treating economic inequality, impoverished educational opportunity, inaccessible health care, unaffordable housing, climate change denial, environmental degradation, mass incarceration, escalating gun violence, and racial, gender, ethnic, and status discrimination as if they were 'bugs' in the system, subject to innovative technical 'fixes' devised by brilliant individual entrepreneurs, is a mistake. These 'social pathologies' have become 'features' of a political economy in which the efficacy of democratic government itself—as well as the kind of collective action that enables it to work—has been under sustained ideological, financial, and political assault for the last 40 years. … The claim that social entrepreneurship creates 'laboratories' to develop new techniques misses the fact that we already know how to solve many of these problems. What we need is the political power to do so."

Read more: ssir.org/SEE

READER COMMENTS

Debating Social Enterprise

In their Spring 2018 opinion article "Social Enterprise Is Not Social Change," **Marshall Ganz**, **Tamara Kay**, and **Jason Spicer** argue that social entrepreneurship has done little to solve the systemic social problems it purports to address. Solving such problems requires collective political action and the power of democratic governments, they write, an approach they see as incompatible with the market-based focus of social enterprise.

READERS RESPONDED:

"The authors' analysis of the role and value of social enterprise and social entrepreneurship is not only conflated (they are not the same thing) but also not well informed. For 20 years, REDF has invested in businesses with an explicit social mission that provide jobs in a supportive environment focused on skill building and services to address challenges that may prevent people from succeeding in the workforce. Although workforce development programs have received billions of government dollars thanks to advocates and organizers fighting for the necessary resources, the programs are generally not set up to help people who are overcoming profound employment barriers. Social enterprise leaders are changing that by demonstrating the effectiveness of this approach and its ability to work cost-effectively at scale. By developing the field and the base of evidence, creating community capacity to deliver high-impact programs, and pushing government to invest more in 'what works,' we build a stronger scaffolding for public programs. As allies, social entrepreneurs, social enterprises, community organizers, advocates, and political activists can be a powerful force for social change. Either-or is wrong, as was the authors' premise. Unity, not finger pointing, is the way forward."

—**Carla Javits**, *president and CEO of the Roberts Enterprise Development Fund*

"Ganz, Kay, and Spicer make a number of important arguments about the limitations of a purely market-based approach to solving systemic social problems. Their biggest mistake is characterizing a large and diverse body of work in a very narrow way. While Ashoka has used the language of 'social entrepreneurship' for decades, the fellows we support around the world are in fact working predominantly on what the authors describe as 'power' problems, frequently

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WHAT'S NEXT
NEW APPROACHES TO SOCIAL CHANGE

Roots Studio conducts a workshop in August 2016 with Chandrakali Pushyam (far right) and other members of the Gond tribe in Madhya Pradesh, India.

SOCIAL ENTERPRISE

Creating New Markets for Tribal Art

BY KRISTINE WONG

In 2009, Chandrakali Pushyam was spending her days fishing, farming, grazing cattle, and taking care of her family. But when her husband, an indigenous artist from the Gond tribe, unexpectedly died that year, Pushyam suddenly had the sole responsibility of supporting her parents, in-laws, and two children.

"I didn't know how to handle the situation, so I started looking at my husband's [art] and painting in his memory," remembers 37-year-old Pushyam, who lives in rural Madhya Pradesh, a state in central India.

Over the next five years, Pushyam—who is also of Gond descent—continued to include her husband's signature patterns in her work, and now paints on cloth, pots, and wood, as well as on canvas. Gond art often features whimsical brightly colored animals depicted with bold outlines and detailed brushstrokes. But the art doesn't bring in much money, according to Rebecca Hui, an American who first went to India in 2011 to learn more about the country's shifting rural-to-urban demographics.

"Like other parts of rural India," Hui says, "there are pressures to move to the city for jobs that will pay more than farming." Cultivating land and raising livestock have traditionally been major sources of income for the tribe.

While living in Madhya Pradesh, Hui observed that many villagers in the Central Tribal Belt struggled to transition to an urban environment. She also noticed that children seemed to display a lot of artistic talent and creativity, traits that she felt were nurtured to a greater degree in the absence of mass-produced toys and games. She wanted to find a way to bring more value to the tribe's art so that villagers could prosper on their home turf.

So in 2015, she founded Roots Studio, a company that partners with artists by setting up digital scanning stations in their villages, then makes their designs available for use on a wide variety of objects, such as clothes, pillows, and stationery. Currently, staff are based in India, Jordan, and the United States.

"Roots Studio acknowledges that there are thousands—if not millions—of creative people in the world who come from vibrant communities in rural areas that lack access to Internet infrastructure," Hui says. "We want to connect them with this massive $32 billion art, décor, and retail licensing market."

So far, the company has worked with 1,600 artists across eight different Indian tribal communities, as well as in the Middle East (where it works mostly with Yemeni and Syrian refugee artists). It has also conducted pilot projects in Indonesia and Panama. Roots Studio sells prints, home goods, and paper products featuring the artists' work on its website, but licensing their designs in a business-to-business marketplace is its main focus. The company licenses a design for two to five years.

Roots Studio pays the artist well more—500 percent more on average—than what the artist's design would have sold for in the village. In general, the artist receives 75 percent of the proceeds, and the artist's village receives 25 percent, though the split can vary depending on how individualistic or communal each community is, Hui says. Village decision makers (which can be in the form of a village council or another structure) choose how they want to spend the funds—with restrictions that they must benefit the entire village and cannot be used for alcohol. Roots Studio publicly launched in December 2017, and though it has yet to decide the percentage cut it will take from licensing agreements, Hui says Roots Studio does take a cut that gets reinvested as cash into company operations.

"The more remote tribal areas in India, like Madhya Pradesh, have this extraordinary craft and artistic tradition," says James Wescoat, a MIT professor who studies water systems, planning, and design in India and South Asia. "If the artists see that their work is valued more, that decreases the pressures for urban migration—and breaking craft tradition."

As for Pushyam, she hopes that Roots Studio can help Gond artists like herself continue to do what they love by exposing their work to a greater audience. In the last few years, 25 of her paintings have been sold as prints through Roots Studio. One of her paintings depicts three birds decorated in swatches of patterned dots against vibrant hues of apple

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NOËL DUAN is a San Francisco- and New York City-based writer, editor, and researcher.

⬇ *Mechanical engineers Sujan Dulal and Dipesh Budathoki help install a Barsha pump in the Tamakoshi river in Dolakha, Nepal.*

green, light pink, orange and lavender. With their beaks nudging each other playfully, the trio exudes energy and mutual affection.

"For us, this art is our God, and we worship it daily by practicing it," Pushyam says. "We just want an equal respect for our traditional art and for the artists." ∎

WATER & SANITATION

Irrigation Innovation

BY NOËL DUAN

I rrigated agriculture represents the largest proportion of consumptive freshwater use in the world. For that reason, the challenge of sustainable food production in many communities begins with obtaining freshwater.

Most water pumps rely heavily on electricity, gas, or solar energy, and yet many rural areas in the developing world do not have access to power sources. "In absence of a cost-effective alternative, farmers manually carry water for many hours a day or depend only on rainfall," says Pratap Thapa, a cofounder of the irrigation innovation startup aQysta. They may cultivate only one season per year (as opposed to four), limiting their income significantly.

The Netherlands-based aQysta attempts to provide a more sustainable solution with its Barsha pump, which delivers water for agricultural irrigation without fuel, electricity, operating expenses, or greenhouse gas

emissions. Its three cofounders —Lennart Budelmann, Fred Henny, and Thapa—are engineers who met at the Delft University of Technology.

The Barsha is a spiral pump, in which two vertical discs composed of coiled tubes are partially submerged in a flowing river. Blades sit between these two discs, facing the flow. The river's movement causes the disks to spin, gradually scooping water into the spiraled tubes, where it is eventually flushed into irrigation pipes and onto farmers' fields.

Pumps powered by the kinetic force of water are nothing new. The spiral pump was reportedly invented in 1746 to provide water for a dye works outside of Zurich. At that time, the spiral pump wasn't very efficient due to a lack of lightweight materials, says Yash Shah, a former aQysta engineer now pursuing a PhD in fluid dynamics. aQysta "developed such a pump from materials that allow it to float on a flowing river," he says. The latest model is both durable and efficient, with a maximum flow of 43,000 liters per day, capable of irrigating about five acres of land.

Nepal offers one of the Barsha pump's most successful case studies. Though 92 percent of its rural population had access to potable water as of 2015, the country struggles to produce enough food for its 29 million people. Currently, 68 percent of Nepal's population works in agriculture, producing 34 percent of the country's GDP—but it's not enough. Thirty-six percent of children

under age 5 suffer from chronic malnutrition. Increasing the country's agricultural productivity is a prime concern, and innovations in irrigation efficiency offer one solution.

Nepal's glacier-fed rivers, which run at high speeds down mountainous slopes to flood-prone valleys, are ideal for water flow. Their momentum helped the pump get started, Shah says. After the first trials, aQysta reworked the designs using lighter materials to make the pump work at slower flow speeds and in flatter terrains.

For farmers like Arjun Kumar Khatri, in the Nepali village of Ratmate, the Barsha pump has been a godsend. Its 24/7 flow "saved my paddy nursery from dying last year during the drought," he says. He uses the water for his cattle and has started growing vegetables for himself.

Individual farmers as well as the organizations or government agencies that support them purchase the pumps for an up-front investment between $1,000 and $2,000, depending on the model. "Making the product accessible to

rural areas in developing markets is a challenge," says Thapa, who claims that customers can break even in two years. Smallholder farmer markets, which constitute a majority of aQysta's current customers, are highly price sensitive, so the company is moving to low-cost suppliers in India and China, aiming to reduce the product's cost by 50 percent by 2019.

aQysta is scaling by partnering with local distributors to meet its goal of having 1,000 pumps in use around the world by 2020. For now, there are 221 pumps, including 170 in Nepal, running in 13 countries, including Panama, Spain, Turkey, and Zambia.

The simple pump has its limits: If the coils capture too much air, it won't work well with an irrigation system. aQysta is working to remedy this bug with adaptations for different communities. At a pump installation in Spain, for example, Shah and his team added vents and valves to eliminate trapped air. As aQysta scales in different regions, such customization remains critical. ∎

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ARTS & CULTURE

Journalism's Savior?

BY COREY BINNS

When bitcoin hit $19,300 in 2017, journalist Maria Bustillos was chipping away at another use for cryptocurrency. The blockchain technology that bitcoin uses promised the ability to produce incorruptible records that didn't rely on the whims of advertisers or corporations. In her career as a writer for *The New Yorker* and other venerable publications, she watched colleagues' articles disappear from Google as ad-based models took hold. She experienced "link rot," as digital servers moved around and left behind empty sites and no formal URL archive. Even worse, she witnessed how bad actors could pull the plug and erase entire sites, as Joe Ricketts, former owner of Gothamist and DNAInfo, did to his digital publications a week after his newsroom unionized.

"We have a president now who has called the press 'enemies,'" says Bustillos, editor in chief of the forthcoming news site *Popula*. "It became more and more important to me to devote my time to doing everything I could to ensure press freedom."

Bustillos is one of many top journalists to join Civil, a journalism platform launching this spring built on blockchain technology and funded by cryptocurrency. Think of blockchain as a giant computer network dedicated to protecting information and securing permanent records. The technology promises to protect journalists from censorship and intellectual property disputes. It offers readers articles that cannot be retracted, with corrections made via addenda, not eraser.

Civil has received a $5 million investment from the leading blockchain development firm ConsenSys, but the goal is for readers to pay journalists on staff at the newsrooms directly for their reporting in dollars, bitcoin, or any other currency. Bustillos has hired eight staff writers and artists and is also contracting freelancers. As with all newsrooms on the site, she must buy a stake in Civil's cryptocurrency to prove that she's seriously invested, and she will pay her employees with the CVL token.

In addition, Civil will institute a community governance system whereby readers can support or challenge a journalist's work directly and publicly with CVL token payments, buying readers a share in the potentially valuable currency

➲ *Sharon Okpoe (left), 17, takes a class with Girls Coding, an after-school program run by Pearls Africa Foundation, in Lagos, Nigeria.*

and driving more investor-readers to fund even more journalism. "We'll be accountable to our readers alone, and stand or fall according to their judgment," Bustillos says.

The platform will also encourage media literacy. Its so-called Credibility Indicators—visual cues within each article—will detail what did or did not go into the publication of a given story: original reporting, sources cited, documents, and so on. "We believe that creating an ecosystem dedicated to ethical journalism, where we verifiably prove to a broader citizenry that the contents and the people who are producing the content on this platform are actually doing so in an ethical, accurate manner, creates a different value association with the experience," says Civil CEO Matthew Iles.

Iles recruited Bustillos, former *Gawker* and *Deadspin* editor Tom Scocca, and other veteran journalists to launch a network of nonprofit news sites on Civil. He wants the newsrooms to restore coverage for local, international, policy, and investigative journalism—areas that have declined under economic pressure in the last 20 years but that can have high social impact. Funds from Civil will launch newsrooms such as *Popula*; Scocca's *Hmm Daily*, focused on social and political commentary; and *The Sludge*, dedicated to investigative muckraking to expose the dark influence of money on politics. Former DNAInfo journalists have teamed up to launch the local news site Block Club Chicago, with additional funding from a hugely successful

local journalism campaign on Kickstarter.

"Civil has a good chance to be one of the first blockchain-based projects that transcends the speculation and gold-rush fever that currently rules in crypto-land," says Geoff McCabe, co-founder and CEO of the Divi Project, a nonprofit committed to educating the public on cryptocurrency. He worries, however, that Civil runs the risk of people "gaming" the system: selling likes, upvotes, and comments to generate money.

Iles plans to prevent this by encouraging readers to challenge what they see as unethical reporting that falls outside the organization's constitution. The community then takes a vote, with the winning party earning CVL tokens for catching bad actors. An independent third-party council over which The Civil Media Company holds no control will address appeals.

Cryptocurrencies still face a mass adoption problem. Readers can pay for what they read in any currency; only those who want to support and contest reporting and participate in the voting system will have to buy into CVL. Both the Civil news platform and CVL crypto-coin will be based on the Ethereum network's open-software program, which McCabe describes as expensive and frequently choked with traffic. Updates later this year may alleviate these problems.

Despite these hurdles, McCabe says that Civil has made strides to thrive: "Blockchain enthusiasts like me who have been inspired by the potential of this technology are rooting for Civil to succeed." ◾

EDUCATION

The Code For Success

BY FESTUS IYORAH

Sharon Okpoe wasn't born with a silver spoon or nurtured to become an engineer, a lawyer, or a doctor.

The tall 17-year-old girl with a friendly face is from Lagos, Nigeria—specifically its infamous Makoko slum, where shacks built on stilts sit above dark, pungent water. Her father is a fisherman, and her mother ekes out a living selling roasted fish. In Makoko, teenagers—especially girls like Okpoe—have few career choices or opportunities for advancement.

In Nigeria's schools, boys outnumber girls two to one and in some states three to one, according to Unicef. Girls who manage to attend high school tend to wind up either an apprentice of a trade or pregnant. High rates of child marriage are another barrier to girls' entry into the workforce: 17 percent of girls are married before they turn 15, and 43 percent before 18, per Unicef.

But Okpoe is redefining her future at Girls Coding, a

free after-school and weekend program run by Pearls Africa Foundation, a nonprofit based in Yaba, Nigeria's Silicon Valley. In Nigeria, coding education is often limited to men, boys, and a few girls whose parents or relatives are financially comfortable and motivated enough to enable girls to participate. Girls Coding seeks to turn this around by reaching out to underprivileged girls from slums, orphanages, and correctional homes, and those displaced by conflicts with the militant group Boko Haram.

During trainings after school, each Saturday, and every day during school vacations, girls between the ages of 10 and 17 learn how to code in HTML, CSS, and Scratch, a click-and-drag game-development platform. The organization has training centers in four Nigerian states.

Abisoye Ajayi-Akinfolarin founded Pearls Africa Foundation in 2012 after leaving her job at an IT audit firm to dedicate herself to advancing the opportunities of Nigerian girls. She launched its Girls Coding program in November 2015 based on her own experience as a Nigerian woman with a successful tech career. She wanted to close the gender gap in Nigeria's

WHAT'S NEXT

FESTUS IYORAH is a Nigerian freelance journalist covering global health, conflicts, social innovation, technology, and development.

tech industry and provide vulnerable Nigerian girls a path to a better life. Alongside three full-time staff and 15 volunteers, she has since trained more than 200 girls in programming, user-interface design, and animation. (The foundation also offers girls vocational training in bead making, baking, and fashion design, as well as health-care assistance and mentoring.)

Okpoe began the program after Ajayi-Akinfolarin visited the Makoko slum to identify vulnerable girls who attend government schools. "In school, they teach us only theories about computers, but when I came here, they taught me both theories and practical skills for free,"

Okpoe said during one of the coding classes in Yaba, located near her community.

The program is paying off for the students in many ways, Ajayi-Akinfolarin says. "The way they think has changed, due to the critical-thinking skills the world of computer programming gives them." Their mind-sets have changed, and they now believe "in a future of economic independence." Through Pearls Africa Foundation's Ladies Lab—an innovation hub that brings together middle-class female professionals with postsecondary female students—six girls have been placed in internships at IT companies.

The program is helping girls learn and aspire to greater things, says Esohe Osinoiki, a communications consultant by profession who volunteers at Girls Coding in Lagos. Without the program, she says, "some of them may have gotten pregnant, dropped out of school, or simply have gotten lost in all the wrongs around them. But now they have dreams and are working towards achieving them."

After three years of learning the nuts and bolts of programming, Okpoe is now building an e-commerce website where Lagosians can order fresh fish directly from fishermen in her community. She hopes to bring

in enough profit to help the fishermen buy larger canoes and fishing nets.

On a recent visit to a training class, one group of girls in school uniforms focused on a computer programming exercise while others, including Okpoe, worked to develop their individual projects.

Okpoe sees herself succeeding in a career in tech. "I hope to pursue and achieve all my dreams," she says. "I also look forward to finishing my website this year by the grace of God." She wants to study computer science in college next year and dreams of earning a master's degree at Harvard University. ∎

FIELD REPORT

PROFILES OF INNOVATIVE WORK

A New Form of Capitalism

The Peterborough Social Impact Bond was the first of its kind. Does its success in improving recidivism rates while rewarding investors herald a new way of using finance for social impact?

BY SARAH MURRAY

R ob Owen knows what it takes to keep people out of prison. "It's having somewhere to live, something to aim for—which is a job—and someone to support them on their journey," he says. "If you get those three things right, reoffending rates drop. It's not rocket science."

But funding those comprehensive services is another matter, Owen says. As CEO of the St. Giles Trust, he leads a UK charity that helps severely disadvantaged people (including ex-offenders) find jobs, homes, and other support, so that they can change their lives and make a positive contribution to society. So when he learned about a new mechanism designed to pay to lower prison recidivism rates, he was keen to participate.

The mechanism was the world's first social impact bond (SIB), a financing tool that promised to raise capital for government social interventions from private investors without risking taxpayer dollars. SIBs are structured as contracts between an "outcome funder" (usually a government agency or an international donor) and investors. Investors provide the upfront cost of a proven social intervention. The outcome funder repays them when the objectives set out in the contract have been met.

The SIB launched in 2010 to raise funding for a coalition of charities, including St. Giles Trust, that would provide services intended to reduce recidivism among short-sentenced prisoners leaving a prison in the eastern British city of Peterborough.

In July 2017, Social Finance—the UK nonprofit that designed the Peterborough SIB—announced the pilot program's success: It cut reoffending by 9 percent, exceeding the 7.5 percent target set by the UK's Ministry of Justice when the bond launched. As a result, investors were repaid in full, along with a return equivalent to slightly more than 3 percent a year for the investment period.

With this outcome, the Peterborough SIB marked an important step in the evolution of social financing. By linking financial returns to outcomes, it saved taxpayer dollars, lowered risk to government, and met growing pressure in the social sector to shift from measuring outputs (numbers of people served) to measuring outcomes (lives changed). With the repayment of funds to investors with a return, the SIB had demonstrated that rethinking how to tackle—and pay for—social services could lead to new ways of addressing some of the challenges facing society.

INNOVATION IN SOCIAL FINANCING

When the Peterborough SIB launched, recession and UK austerity policies were putting intense pressure on funding for social programs. Alternatives needed to be found. A Social Investment Task Force, established in 2000, was working to create a market for social investment and was also seeking ways to engage the financial sector in addressing social problems.

Sir Ronald Cohen, cofounder of Social Finance and task force chair from 2000 to 2010, recalls first discussing the idea for a social impact bond when two members of his team asked what he thought about the idea of funding programs to prevent prisoners from reoffending by linking improved numbers to a financial return. "Wow," he responded, "you've found the key to connecting the capital markets to social entrepreneurs."

While it was philanthropic investors—including the Rockefeller Foundation—backing the Peterborough bond, they hoped a return on their money would prove that the SIB's principles could work, and thus attract private investors. If successful, its backers believed, it could demonstrate the

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potential for private investment to transform the way social programs were funded.

"We thought it was an incredibly exciting innovation in the financing of social solutions," says Antony Bugg-Levine, who, as Rockefeller Foundation managing director from 2007 to 2011, led its impact investing initiative.

The investors raised £5 million ($6.96 million) and set goals. Before the Ministry of Justice would pay investors, reoffending rates needed to drop by at least 7.5 percent. If the rate exceeded this goal, the return rate would rise, with a maximum of 13 percent and a cap of £8 million ($11.1 million).

In 2010, when the project began, about 60 percent of prisoners were reconvicted within a year of release. In August 2014, the first report on the Peterborough SIB was encouraging. The program had reduced reconviction rates among the first group of 1,000 ex-prisoners by 8.4 percent compared with the national average.

The program, originally designed to run for seven years with three cohorts of 1,000 prisoners, ended in 2015 after only two cohorts, due to changes in UK probation laws that made it impractical to continue. However, Bugg-Levine argues, the deal's impact continued beyond the SIB itself, since it prompted the national rollout of a program to rehabilitate short-sentenced prisoners. "We need to remember that social innovation is a means to an end," he says. "And that is vulnerable people getting the services needed for a better life."

FROM OUTPUTS TO OUTCOMES

For a number of reasons, prison recidivism was an appealing choice for a social financing pilot. First, powerful economic incentives existed to address the problem. "It's very expensive to incarcerate someone," says Tracy Palandjian, CEO and cofounder of Boston-based Social Finance, sister organization to Social Finance in the United Kingdom. "That dollars and cents argument around criminal justice savings was compelling."

Even more important was that results could be quantified: Records on rearrests and reconvictions made it possible to see who benefited and to measure the program's costs and savings. "The clean data aspect of this was exciting," Palandjian says. "When people get the wraparound services and jobs, the potential outcomes are a much better life post incarceration—we have evidence around that."

The focus on measurable data was a key component of the model. "There were really strong empirical data from the NGOs on their outcomes," says Judith Rodin, then Rockefeller Foundation president. This enabled the SIB to attract investors, reduced risk for government, and established investor-payout rates. So while the Peterborough SIB was a pilot, the innovation was in social financing, not social impact.

"This critical fact sometimes gets lost," Rodin says. "When it was called an 'experiment' or a 'pilot,' people assumed they were piloting the intervention. That's absolutely not what should be done for a social impact bond because otherwise you don't have the strong actuarial data that allow you to figure out what the right payout should be."

Moreover, tracking outcomes improves decisions on how and when to intervene to address problems such as homelessness or youth unemployment, says Andrew Park, senior policy advisor at the Centre for Social Impact Bonds, part of the UK government's Inclusive Economy Unit. "We need to rethink how we do service design with something that anchors it to outcomes and moves away from the government obsession with counting things," he says.

This need for measurable data means that SIBs do not offer a silver bullet for solving social problems. While they can be applied to issues such as education, homelessness, and prisoner recidivism, problems such as domestic violence or lack of palliative care yield less clear data on outcomes. "There is a category of social issue that's too qualitative to be able to hang a payment on the metric," Cohen says.

Since the launch of the Peterborough SIB, about 100 SIB deals have been closed, raising more than $390 million. In 2013, for example, J.B. Pritzker, a venture capitalist and philanthropist, and Goldman Sachs raised a total of $7 million to fund high-quality early education programs for children from low-income families in Utah. With fewer children requiring special education, public sector savings of more than $281,000 in 2013-2014 triggered the first SIB payment to US investors.

The model has also inspired the creation of development impact bonds (DIBs) that address issues such as malaria or post-disaster reconstruction. In 2017, for example, the International Committee of the Red Cross announced a $27 million "humanitarian impact bond" to fund rehabilitation services for people with disabilities in conflict-affected countries.

SIBs have been criticized for being complex to structure and hard to replicate because the potential savings on which investor returns are based and the results that trigger payments are specific to each intervention. The rigorous measurement they require is also beyond the capacity of many organizations. Nevertheless, Cohen believes they can provide a sizable chunk of social funding. "SIBs may end up being 10 percent of the impact investment market," he says.

Cohen sees SIBs as part of a rethinking of global capital markets. "Social impact bonds are the first expression of how you optimize risk for return and impact," he says. "In the 19th century, we measured just financial return. In the 20th century, we measured risk and return. And now—because of the enormous scale of social and environmental issues, the inability of government to throw more money at it, a millennial generation that wants meaning, and investors who want more than financial return—the thinking is shifting."

In this respect, he believes that in achieving a reduction in reoffending and delivering a return to investors, the Peterborough SIB heralds a new form of capitalism. "That's a very powerful expression of optimizing risk, return, and impact," he says. "What we're doing here is altering capital flows in the whole system." ■

FIELD REPORT

Look for the Wild Animal Label

The Wildlife Friendly Enterprise Network makes a business case for protecting Asian elephants.

BY BRANDON KEIM

O f the world's 40,000 Asian elephants, 10 percent live in the forests along the border of Bhutan and northeast India. So do millions of people. They coexist uneasily, with an expanding human footprint occupying the animals' habitats and migration routes. Of particular concern are the region's tea plantations: Elephants passing through fall into drainage ditches, are electrocuted by faulty fences, and are poisoned by eating fertilizers.

Farmers don't necessarily want to hurt animals. It's just a part of doing business. "[The farmers] say, 'We'd be happy to do more for elephants, but we're working on slim margins. We need more money," says Lisa Mills, a biologist at the University of Montana, whose work in Bhutan in the early 2010s first drew attention to the importance of the plantations in protecting the elephants.

In 2016, Mills contacted the Wildlife Friendly Enterprise Network (WFEN), a US-based nonprofit that has become a destination for conservationists and entrepreneurs who want to protect wild animals. Drawing on Mills' research, WFEN drafted guidelines for tea growers in the region, certified their first plantations in early 2017, and brokered a sales agreement with the Lake Missoula Tea Company in Montana. Their customers now have the option of purchasing tea with WFEN's Elephant Friendly imprimatur. For the farmers, protecting elephants is now part of the business model.

Other sustainability-oriented certification systems, such as Rainforest Alliance or Fair Trade, might sport language about biodiversity or divert proceeds to conservation,

but WFEN is unique in its detailed, expert-driven emphasis on wildlife. Elephants aside, the menagerie of species protected by WFEN include jaguars in Costa Rica, giant ibis in Cambodia, Madagascan lemurs, and Palawan water lizards in the Philippines—some three dozen species altogether, on habitats amounting to 46,000 square miles, an area roughly the size of Pennsylvania.

"It's not necessarily automatic for consumers to think, 'When I'm eating my chicken salad, did a coyote die? Did a puma get poisoned in the making of my wool sweater?' It's not really visible," says Julie Stein, WFEN's executive director. "Our goal was to make this kind of thinking more mainstream."

A NEW KIND OF TRADEMARK

Wildlife Friendly evolved out of Predator Friendly, a group of like-minded ranchers focused on livestock production in the western United States and Canada. WFEN relaunched in 2009 as a standalone nonprofit

with an expanded scope: not just ranchers finding ways to coexist with wolves and coyotes, but anyone looking to do business without harming wild animals.

Then as now, there was no shortage of labeling systems intended to provide market-driven environmental regulation. Despite their proliferation, though—according to the Ecolabel Index, there are presently 464 such labels—they tended to exclude wild animals. Welfare labels focus on domestic or farmed animals used for production, not the well-being of creatures affected by business activity; biodiversity-promoting labels don't usually get fine-grained with species. There are exceptions, such as Dolphin Safe tuna and Bird Friendly coffee, but WFEN wanted to focus on a wider range of animals. "There wasn't a group looking specifically at high-biodiversity areas where there were endangered species and communities coexisting," says Ann Koontz, vice president of WFEN's board.

Certification systems also tended to be too general in their requirements. "We needed something that reflected the species we're interested in," says biologist José González-Maya, who helped draft Jaguar Friendly coffee standards for growers in a key agroforestry corridor between nature reserves in Costa Rica. Among the stipulations is securing free-roaming domestic animals, thus averting jaguar predation and conflict. It's the sort

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of crucial detail not found in other labels, says González-Maya.

The Elephant Friendly and Jaguar Friendly projects demonstrate a common theme in WFEN's work: Most of their certifications occur in so-called working landscapes, rich in both human activity and animal life, often adjoining protected areas. Working landscapes and the people making a living within them are a focus of contemporary conservation, and for conservation to succeed in such quarters, it needs to include people whose livelihoods are in the balance.

The certification standards crafted by scientists like González-Maya and Mills, while originally devised for a particular locale, can be applied elsewhere. For example, Mills hopes people protecting African elephants will seek certification. To this end, the researchers' expertise is shared within WFEN's network. That allows WFEN to multiply their efforts far beyond a paid staff of five people. "We operate lean," says Koontz, "but because we're leveraging all the different connections, we're able to have a significant impact."

The gold standard for verifying that tea growers and the like follow certification guidelines involves inspections by independent auditors. And that is expensive—organic certification, for example, can cost several thousand dollars, and some forestry certifications hit five figures. "It would knock out most of the types of groups we're targeting," says Koontz, and WFEN itself doesn't have enough funding to cover it.

Though WFEN does send trained third-party certifiers to visit ranchers in North America, elsewhere they arrange visits by local conservation groups and members of their network. "We've tried to come up with a system that's as rigorous as possible, at a much lower cost, therefore making it accessible to a broader group of producers," explains Ray Victurine, president of WFEN's board and director of the Wildlife Conservation Society's Conservation Finance Program.

In industry argot, this is known as high second-party certification. To Adrian Treves, head of the Carnivore Coexistence lab at the University of Wisconsin-Madison and a

former WFEN board member, third-party certification is still ideal. "Consumers who are scrutinizing how products are made want more evidence, more information, more confidence," he says, and without third-party verification, "there's a natural tendency to take shortcuts."

Treves concedes the expense, though, and Victurine insists that the high second-party system isn't so different: Local conservation groups are deeply committed to their cause. Their region-specific knowledge can also come in handy. Mills says that her Elephant Friendly certification teams have engaged with locals working on elephant issues and conservation biologists with a knowledge of the animals' habits, which informs monitoring of elephant movements and helps them anticipate potential conflict hot spots.

"We had one certifier from a major third party say, 'You can be even more robust that way,'" Koontz says. "There are ways to game the system with auditors. They don't know the sites. We have trusted parties who know the sites."

MORE THAN MONEY

While many producers may be nice to wildlife simply because they like animals, certification offers a chance to earn more money from consumers who pay extra for Wildlife Friendly goods. There's no guarantee that purchasers will pay a premium, though, and producers could also try to market themselves as animal-friendly without going through formal WFEN certification. WFEN needs to offer more than money.

Krithi Karanth, a conservation biologist whose research on plantations in India's Western Ghats led to her cofounding of the Wildlife Friendly-certified Wild Kaapi coffee company, says WFEN offers "a larger global perspective on how you get people to buy into" the idea of conscientious consumption. WFEN leverages its network—not just conservation biologists, but sustainable business specialists and other producers—to provide shared expertise and help with development, from issues with animals to supply-chain and production questions. "If I talk to someone

having a problem," says Stein, "I can pass that on to as many people as I can."

WFEN also tries to arrange meetings among producers, conservationists, and purchasers. Even if these don't lead to business deals, they're an opportunity to share business intelligence: A company that buys wool, for example, can advise ranchers on the finer points of their fiber preferences. When cosmetic company Aveda started buying paper produced by a Wildlife Friendly enterprise in Nepal, says Koontz, "they were giving us critical product advice and quality feedback. If you have to pay for that expertise on the open market, it's expensive."

In setting up those deals, WFEN is careful to find purchasers who will be patient and reliable. A steady relationship, says Koontz, can be even more important to producers than a price premium. Some research has also found that certification programs relying on fiscal incentives can alienate producers who feel they're being condescended to, as if their only interest was immediate payouts rather than professional development. WFEN's development-oriented approach might help soothe those tensions.

As WFEN matures, Stein says, they've considered splitting into two divisions: for-profit as well as nonprofit, with the former focusing on marketing, supply chains, sales, and wholesale distribution. For now, that idea remains hypothetical. The focus is on growing their network. "People are now saying, 'I'm a biologist, I want to start a business,'" Stein says. "Or, 'I'm a fashion designer, I want my business wildlife-friendly from the start. Can you help me?'"

As for Elephant Friendly-certified tea, small early orders were followed by a wholesale deal. Mills says a large grocery store chain may soon source the tea for its own in-house brand.

"I think there's no limits," says Mills when asked whether Elephant Friendly teas are a niche product or something that could scale to commodity levels. "It's going to be financially viable for the farmers. And the more consumers hear this story, the more they'll ask, 'Does my tea harm elephants or not?'" ∎

FIELD REPORT

Beyond the Block

Chicago's My Block My Hood My City uses the concept of travel to get young, low-income residents more connected with their city.

BY KYLE COWARD

Being a tourist in your own city can be powerful. Vibrant metropolises offer opportunities to explore rich educational, economic, and cultural resources and engage with diverse ideas and people. But not everyone living in an urban setting is able to take advantage of these assets.

This is the reality for an untold number of inner-city residents, many of whom are young persons of color. In low-income areas of Chicago, where the specters of drugs, violence, and unemployment are a daily reality, Jahmal Cole knows how the lack of interconnectivity to the larger city can hamper a young person's educational development and socioeconomic prospects.

"Everybody I knew growing up wanted to be a rapper, or a basketball player, or a drug dealer," says Cole, who was raised in an impoverished section of suburban North Chicago, Illinois, where some family members were in gangs. "What you aspire towards, what you think is possible, is shaped by your neighborhood."

Smart and socially conscious from a very young age, Cole nonetheless was on a path toward the street life as a teenager. But he managed to turn a corner once his mother enrolled him in an alternative high school about 30 minutes away in Kenosha, Wisconsin. After graduation, Cole moved back to Chicago and started volunteering with mostly teenage inmates at Cook County Jail, many of whom had never seen the city's downtown.

"All they talked about was, 'My hood is this, my hood is that,'" he recalls. When he asked them why they never talked about their city, they said they did not feel welcome downtown and never went. "There are no black businesses there," they said.

From that point on, Cole committed to harnessing the transformative power of travel for good. In 2013, he created My Block My Hood My City, which aims to help young people dispel limiting beliefs about where they can go, both figuratively and literally. The organization plans monthly field trips to different parts of the city, enabling lower-income youth to interact with entrepreneurs, artists, and community activists they would otherwise never meet. Getting "explorers," as Cole calls participants, to envision a life beyond their block is the ultimate goal.

A DIFFERENT SLICE OF LIFE

After graduating from Nebraska's Wayne State College in 2001, Cole moved to Chicago's South Side to pursue social activism. By day, he made a living working in tech. In his free time, Cole steadily lined up speaking engagements discussing his message of inner city youth outreach. He also published three books documenting both youth empowerment and community development. With My Block, Cole was able to realize his dream of helping young people by giving them some of the travel experience that his mother gave him.

With a team of volunteers, Cole coordinates excursions that offer opportunities for youth to interact with a broad spectrum of individuals and causes. Participants are picked up in vans driven by volunteers after a day at school, usually at 3:00 p.m. Around 4:00, youth spend about two hours or more meeting with professionals at organizations hosting that day's trip. Many of the visits go beyond discussion and conversation, and often kids are afforded the opportunity to get some exciting hands-on experience, anything from trying their hands at 3-D printmaking to creating mock digital advertisements. Participants are taken out to dinner afterward, with many trying different ethnic cuisines such as Venezuelan or Ethiopian food for the very first time. Each student is dropped off at home between 8:00 and 9:30 p.m.

For $500, businesses and organizations can host an excursion. The trips are underwritten by individual donations from $1,000 to 5,000, which goes toward sponsoring 15 students per outing.

The program currently serves teenagers living in four of the city's 77 officially

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designated communities. Teenagers from the four communities—which are majority minority—are recruited from schools and nonprofit organizations and are chosen based on recommendations by officials at their schools.

Prior to starting the program, fewer than half of participants said they felt a connection to their city, felt at ease being in neighborhoods other than their own, or felt willing to explore the city on their own. After completing the program, nearly all of the participants report feeling connected to the city and say they are more likely to explore it on their own. All participants say they feel more comfortable in other neighborhoods.

Noah Hackworth says the program exposed him to a different slice of life than his daily experience growing up on the city's South Side. "I've known people who've never even been downtown before," he says, and yet that fact is not a pressing concern compared with other issues on their minds. "They're thinking, 'How am I going to go from point A to point B without being killed?'"

Hackworth credits his time interacting with local entrepreneurs in helping him realize that professional success could be attainable by means other than basketball, which consumed much of his free time beforehand. Today the 21-year-old is studying to be an athletic trainer and learning digital marketing and investing in his free time. He hopes to become an entrepreneur one day.

OBSTACLES TO TRAVELING

Various studies have demonstrated the benefits of travel, from boosting a person's mental well-being to improving one's creativity. My Block takes those findings and applies them to a more local context.

"When people feel that they're trapped in a neighborhood, their stress level goes up," says David Sloane, a professor at the University of Southern California's Sol Price School of Public Policy, who studies urban planning and health disparities. "Particularly if that neighborhood is struggling with social issues, they don't feel they have the ability to use their entire neighborhood. And they certainly don't feel like they can go other places, because they feel they have to stay in their home."

Lack of access to adequate transportation may also impede inner-city residents from traveling more throughout their city, which can impede their ability to secure a meaningful living. For example, a 2015 report from the Rudin Center for Transportation at NYU's Wagner School found a correlation in New York City between inadequate public transportation in lower-income neighborhoods and both lower wages and higher unemployment for residents of those areas.

"We've had a history of policies and practices that intentionally segregate low-income persons of color," says Tamika Butler, executive director of the Los Angeles Neighborhood Land Trust and an advocate for fair transportation access. "Tell me about young people who have been pushed out to the edges of a metropolitan area by gentrification and displacement, and don't have access to transportation services," she says. "How are they going to get to the job centers?"

"When you walk out your door, you should be able to make a choice of what mode of travel you want to take," says Olatunji Oboi Reed, a prominent Chicago mobile-justice activist who recently founded the nonprofit Equiticity to promote improved transportation access for majority-minority communities. "And that's not the case right now in Chicago and a number of cities around the country for black, brown, and low-to-moderate-income people."

The transition back to normal life following an invigorating vacation can be a culture shock. For My Block's inner-city explorers, the experience of returning home can be equally jarring.

"Do you know how much it sucks to take a teenager back home when there's tape around their house and there's been a shootout?" Cole asks.

Some researchers and practitioners question the ultimate value of such travel. DeAnna McLeary-Sherman, founder of the True Star Foundation, a Chicago nonprofit that teaches media skills predominately to minority youth, agrees that kids should feel comfortable stepping outside of their communities. But even more critical, she says, is that kids have access to resources within their communities and understand the value and importance of where they come from.

Kimya Barden, an assistant professor of inner city studies at Northeastern Illinois University, says that exposure to other people, cultures, and ideas should be framed in the context of a shared human experience that can be brought back home. "Travel can be couched in the idea that children living in an urban context also have a responsibility to be change agents in their communities."

Allen Linton, a doctoral candidate in political science at the University of Chicago who assists My Block's five-person staff and 10-member board, knows there is more work to do to reach more young people. "This is still a very small operation that has good impact, but it's time-consuming, and intentionally so," he says. More staff and volunteer assistance will help take some of the pressure off Cole and allow the organization to develop a long-term plan.

To tap into additional financial streams, My Block is developing local public and private partnerships to supplement the foundation and corporate grants that constitute the majority of its funding. For 2018, My Block's budget is estimated at around $500,000. Cole says he wants to expand the size and reach of the program to other Midwestern cities, and eventually make My Block a national organization.

Cole also hopes to appeal to prospective student explorers by expanding excursions outside of Chicago. A recent group traveled to the National Museum of African American History and Culture in Washington, D.C., and another trip took students to Michigan's Mackinac Island. This summer, the organization will take 15 participants on a trip to Ghana for 11 days, with the goal of making explorers aware of the socioeconomic struggles that others who look like them face in different parts of the globe.

"I want them to think globally," Cole says about the trip. "I think being isolated has led to a lot of narrow-mindedness in Chicago." ∎

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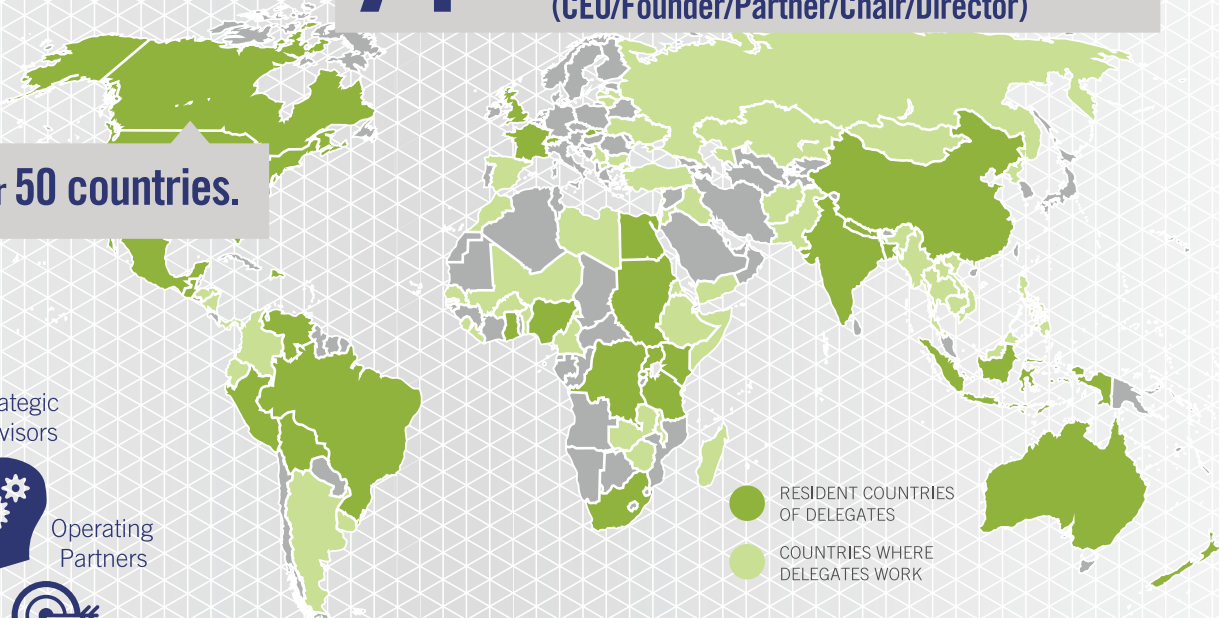
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Giving in the Light of Reason

Facebook billionaire Dustin Moskovitz and Cari Tuna created the **Open Philanthropy Project** to ensure that their wealth helps solve important and neglected problems. Will their massive experiment in effective altruism validate the cause or demonstrate its hubris?

BY MARC GUNTHER

There's an old saw in philanthropy: If you've seen one foundation, you've seen one foundation. Each is distinctive, which makes sense: Extremely wealthy people do not get to be that way by following the crowd, so they want their foundations to stand out as well.

Still, of the 86,000 or so grantmaking foundations in the United States, few stand quite so far outside of the mainstream as the Open Philanthropy Project, which guides the charitable giving of Dustin Moskovitz, the cofounder of Facebook, and his wife, Cari Tuna, a former *Wall Street Journal* reporter.

Open Phil, as it's known, has a vast fortune to give away. Moskovitz's net worth was estimated to be about $14.3 billion at the end of 2017, and Moskovitz and Tuna say they intend to disburse nearly all of it before they die. In terms of assets, that puts them ahead of the Ford Foundation and behind only the Bill & Melinda Gates Foundation, the Chan Zuckerberg Initiative, and George Soros' Open Society Foundations in a ranking of America's philanthropic giants.

Their giving is shaping up to be a grand experiment in rationalism—the idea that it's possible to think through nearly all of the messy questions at the heart of philanthropy. Should grants go to education, science, or the arts? To a nearby community or to poor people overseas? To cure disease or influence public policy? As Open Phil grapples with such questions, it is guided by the principles of effective altruism, a philosophy and a movement that seeks to use reason and evidence to determine the best ways to do good. "They are unabashed technocratic engineers of good outcomes," says one insider.

As befits its name, Open Phil is also radically transparent—more so, arguably, than any other big foundation. Staff members publish

The Humane League, one of Open Phil's grantees, stages a protest outside McDonald's in downtown Chicago as part of its "I'm Not Lovin' It" campaign against the chain's chicken menu items.

long, analytical blog posts explaining major decisions, both to test their reasoning against outside critics and as part of a deliberate effort to influence other philanthropists. They have posted about hiring decisions, too. About one new program officer, they wrote, "We believe he will have a steep learning curve in order to get up to speed on philanthropy." They are even open when they decide to be less open, posting a 2,000-word blog post to explain why.

Open Phil is open in another sense as well: It got going with no devotion to any particular cause. Open to many possibilities, it funds an eclectic and seemingly disconnected set of causes, organizations, and projects: Global poverty alleviation. Criminal justice reform. Scientific research. Farm animal welfare. Existential risks to humanity. The Federal Reserve's monetary policy. Solar geoengineering research. The history of philanthropy. Efforts to improve human decision making. Anything, really, that is judged to be an important and neglected problem that the organization can help solve.

Their approach raises questions for other philanthropists and, for that matter, anyone who gives money away. Are you doing as much good as you can? How do you know? How do you choose your causes? Do you share what you learn?

These questions don't get as much attention as they should. Holden Karnofsky, the executive director of Open Phil, says, "There's a lot of debate in our society about what the government should do. There's debate about what corporations should do. But there's very little debate about what foundations should do." It's time for philanthropists to engage in that debate, he says.

A DEEP DIVE

Last winter, I flew to San Francisco to meet with the leadership of Open Phil. Cari Tuna wasn't feeling well, alas, and didn't make it into the office, so we talked over a video connection. She is friendly, thoughtful, and, well, *young*. I couldn't help but think that the woman on the screen, who at 32 holds the keys to a $14 billion fortune, is younger than my oldest daughter, who has been a grantmaker for about a decade.

Not long into our conversation, I asked Tuna if she identifies as an effective altruist. "Yes," she replied. "Do you?" (I do, more or less, and told her so.) Effective altruism is inspired by the ideas of Peter Singer, a Princeton philosopher, which he first expressed in a 1972 essay titled "Famine, Affluence, and Morality." "If it is in our power to prevent something very bad from happening, without thereby sacrificing anything morally significant, we ought, morally, to do it," Singer wrote. In the late 2000s, Toby Ord and Will MacAskill, who teach philosophy at Oxford and jokingly call themselves "super hardcore do-gooders," began looking for ways to bring their brand of committed, rational, outcome-oriented altruism to the mainstream. Effective altruism has since become a small but growing movement, with more than 300 chapters around the world, many on college campuses. It has inspired a half-dozen books and at least as many charities and meta-charities, including The Life You Can Save, Giving What We Can, 80,000 Hours, and Animal Charity Evaluators. Nearly all are grantees of Open Phil, which has become the single biggest funder of the movement.

When Tuna and Moskovitz became the youngest billionaires to sign the Giving Pledge in 2010, the term "effective altruism" hadn't been coined yet. He was a 26-year-old Harvard dropout who made his fortune during four years at Facebook, as its first chief technology officer; she was a 25-year-old Yale graduate who as a *Wall Street Journal* reporter had written about the California economy, gay marriage, and Turkish food in San Francisco.

They approach their newfound wealth with humility. "Cari and I are stewards of this capital," Moskovitz said later. "It's pooled up around us right now, but it belongs to the world. We are not perfect in applying this attitude, but we try very hard."

With Moskovitz devoted to Asana, his second technology startup, it fell to Tuna to manage their giving. She quit her reporting job to investigate philanthropy, making the rounds of most of the big

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foundations. Some advised her to "think about the causes that really touch your heart," but she didn't find that advice helpful; her heart was telling her that what she wanted to do was the best she could to help humanity thrive.

An "aha" moment came when she read *The Life You Can Save*, a 2009 book by Singer. It argues that rich people have moral obligations not only to share their wealth, but to do so effectively. The book features the work of Karnofsky and Elie Hassenfeld, who founded GiveWell, a nonprofit that seeks through rigorous research to identify the world's most effective charities. They did so because, as investment analysts at Bridgewater Associates, the world's largest hedge fund, they had struggled to figure out the best ways to give away their money.

Tuna has a similar problem—just on a bigger scale.

"It introduced me to the idea of not just trying to do some good with your giving, but doing as much good as you can," Tuna told me. A friend connected her to Karnofsky, and they met for Sunday brunch when he visited the Bay Area. "I was immediately impressed by the kinds of questions he was asking, the kinds of causes that GiveWell was interested in," Tuna said. They talked about how fortifying salt with iodine can increase cognitive development in children with mild to moderate iodine deficiency at a low cost. "It's not a sexy topic," Tuna says. "It just made me wonder how many other causes out there are like that—promising and neglected."

She plunged in. Tuna joined the board of GiveWell in 2011, formalizing a partnership that laid the foundation for what became the Open Philanthropy Project. Good Ventures, a foundation formed by Moskovitz and Tuna, made its first grant, for $50,000, to GiveWell, and decided to give another $1.1 million to charities recommended by GiveWell, all in 2011. Its biggest grants were to the Against Malaria Foundation and the Schistosomiasis Control Initiative, a deworming charity; typical of nonprofits favored by GiveWell, these deliver short-term, low-cost proven interventions to help the world's poorest people. Since then, Good Ventures has been by far the biggest donor to GiveWell, accounting for about 60 percent of the estimated $375 million that has been moved by GiveWell to its favored organizations.

In 2012, GiveWell decided to relocate its office and staff of five people from New York to San Francisco to be closer to Tuna and other technology-industry donors. By then, Good Ventures and GiveWell had begun a research project, then called GiveWell Labs, to look for giving opportunities beyond direct-aid charities. GiveWell Labs eventually morphed into the Open Philanthropy Project, which was spun off from GiveWell in 2017, although their boards and some staff overlap, and they share office space in downtown San Francisco.

All told, Tuna plays a key role in no fewer than seven entities, as a director or major donor. There's the Open Philanthropy Project, a limited liability corporation (LLC) that recommends grants, tracks results, and publishes its findings; the Open Philanthropy Action Fund, a small 501(c)(4) social welfare fund that supports nonpartisan advocacy; the Open Philanthropy Project fund, a donor-advised fund housed at the Silicon Valley Community Foundation; the Good

Ventures Foundation, a private foundation that makes grants and investments; Good Ventures, a supporting organization, also at the community foundation; and Good Ventures LLC, a for-profit impact investment firm. Finally, there's GiveWell, the meta-charity, which is a conventional 501(c)(3) nonprofit. Henceforth, for simplicity's sake, we'll say that "Open Phil" makes grants or investments when, in point of fact, money could flow out of any of three grantmaking entities.

"Each has a reason for being," says Alexander Berger, a cofounder, managing director, and board member of Open Phil. Not surprisingly, tax considerations are key: Donor-advised funds provide more generous benefits to living donors. The Open Philanthropy Project LLC was set up with the idea that it might advise other donors in the future. Outside of the various structures, Moskovitz and Tuna have cash of their own that they devote to favored causes. In 2016, they wrote that they were donating $20 million to help elect Democrats, including Hillary Clinton, and they are investors in Bill Gates' Breakthrough Energy Ventures, a fund that is researching climate-change solutions.

Perhaps inadvertently, the complex structure means that Open Phil does not always live up to the "open" part of its moniker. While Open Phil says it will list all of its grants online, except in rare circumstances, grants made through donor-advised funds can't be traced back to the original donors. The various entities disclose some but not all of their investments. What's more, unlike private foundations, Open Phil does not disclose its annual operating costs or the salaries or benefits of its highest-paid staff members. It's impossible, as a result, to know how much Open Phil spends on its research and analysis, and whether it might do more good by pushing more of that money out the door.

That said, Open Phil blogs about big decisions, reports on the outcomes of its grants, and publicly tests its own assumptions. "We see transparency as one of the core areas in which we are trying to experiment, innovate, and challenge the status quo," Karnofsky says. Early on, Tuna posted detailed notes on more than 100 conversations she had with funders, nonprofits, and academics. Karnofsky has written about three key issues he changed his mind about. Other Open Phil researchers have published deep research into such questions as the impact of immigration on US workers and the debate about which animals warrant moral concern, the latter in a report that ran well over 100,000 words.

"The analysis of how they operate is out there for the world to see," says Rob Reich, a GiveWell board member, Stanford political science professor, and codirector of Stanford's Center on Philanthropy and Civil Society. "You come to understand what they're doing by reading their preposterously long and complex blog posts. I find that a virtue."

THE MOST IMPORTANT DECISIONS

So how does Open Phil decide which causes to support? Through a long, arduous, and ongoing process led by Tuna, Karnofsky, and Alexander Berger, who joined GiveWell right out of Stanford in 2011 and is now a managing director and board member at Open

⊕ *Facebook cofounder Dustin Moskovitz and his wife, Cari Tuna, launched Open Phil to guide their charitable giving.*

Phil. Unlike GiveWell, which supports time-tested, direct-aid charities, Open Phil set out to identify a broader set of giving opportunities, including high-risk, high-return grants. Selecting causes, Karnofsky says, is "one of the most important decisions you make. Maybe the most important."

Tuna, Karnofsky, and Berger dug into the history of philanthropy. They read case studies of philanthropic success, seeing how earlier philanthropists had promoted the green revolution, funded research that led to the birth control pill, and helped to reduce the risk of nuclear war. (An Open Phil conference room is named Nunn-Lugar, after a 1991 law shaped by philanthropy that brought about the deactivation or destruction of nuclear weapons.) They commissioned new research from historians, to evaluate the role that philanthropy played in driving passage of the Affordable Care Act and marriage equality in the United States.

Patterns emerged. "A lot of philanthropy's biggest claimed successes have come from improving policy," Tuna says. "Many came from supporting breakthrough scientific research. Those were two big categories that we wanted to learn more about."

They made long lists of causes and ranked them according to three criteria that they describe like this:

- Importance: How many individuals does this issue affect, and how deeply?
- Neglectedness: All else equal, we prefer causes that receive less attention from others, particularly other major philanthropists.
- Tractability: We look for clear ways in which a funder could contribute to progress.

Tuna, Karnofsky, and Berger identify as effective altruists. So it's no surprise that this process of cause selection led them to a set of causes and programs that align, more or less, with those of the movement.

Take, for example, existential risks—that is, the possibility that future events will devastate or end humanity. Effective altruists worry a lot about this, for better or worse. "In the beginning, EA was mostly about fighting global poverty," wrote Dylan Matthews of Vox, after attending EA's global conference in 2015. "Now it's becoming more and more about funding computer science research to forestall an artificial intelligence-provoked apocalypse. At the risk of overgeneralizing, the computer science majors have convinced each other that the best way to save the world is to do computer science research." The concern about x-risks, as they're called, grows out of the belief that even a small reduction in the likelihood of a global catastrophe has a high expected value because billions of lives are at stake.

Existential risks are, arguably, a classic example of a neglected cause. "Governments do not have the incentive, corporations do not have the incentive to worry about really low-likelihood, super-duper worst-case outcomes," Karnofsky says. The Open Phil team researched doomsday scenarios, ranging from geomagnetic storms to nuclear war to widespread famine, compiled a spreadsheet, and settled on two focus areas. They work on biosecurity, which aims to protect the world against natural pandemics, bioterrorism, and biological weapons, and on efforts designed to head off the dangers posed by advanced artificial intelligence. (See "The Bot You Can Save" on p. 22.)

OpenPhil also applied the criteria of importance, neglectedness, and tractability to US policy issues. Of nearly two dozen listed on a spreadsheet, five rose to the top: criminal justice reform, farm animal welfare, macroeconomic stabilization, immigration policy, and land-use reform. It's a list that raises eyebrows. Farm animals and not climate change? Criminal justice reform and not inequality?

Climate change is the most glaring omission from the priority list. "While climate change is obviously highly important," Karnofsky says, "we thought there were other similarly important issues that were more neglected and more tractable." Other foundations have poured billions into climate change advocacy in the United States, with little to show for it, critics say. Karnofsky told me, "Some degree of emissions reduction is tractable. Getting below 2 degrees over the relevant time period—that looks really tough."

That helps explain why Open Phil has supported research into geoengineering, a term used to describe large-scale efforts to artificially cool the planet and offset some impacts of climate change.

geoengineering (the project of cooling the Earth by reflecting sunlight away from it) led by David Keith, one of the field's leading experts. (Very little philanthropy and almost no government money supports the study of geoengineering.) Open Phil also kicked in $3 million for an effort led by the ClimateWorks Foundation to help poor countries replace polluting refrigerants with efficient, climate-friendly cooling. Open Phil expects to do more climate change funding in the future, Karnofsky says.

In contrast to climate change, the plight of farm animals—a cause favored by many effective altruists and championed by Peter Singer since the publication of his landmark book, *Animal Liberation*, in 1975—cleared the hurdles of importance, neglectedness, and tractability. Tuna, Karnofsky, and Berger believe that farm animals can likely feel pain, and that their suffering matters. Spending on farm animal welfare, across the entire animal protection movement, previously amounted to no more than $25 million a year. "Very little [money] is going to the welfare of farm animals, even though there are billions and billions of farm animals being raised around the world in terrible conditions, every year," Tuna says.

Open Phil stepped up in a big way. Late in 2015, Lewis Bollard, a Yale Law School graduate who worked at the Humane Society of the United States, joined Open Phil as its first program officer for farm animal welfare. He was the hire who faced a "steep learning curve," but he made a rapid ascent, disbursing $47 million in grants to 50 nonprofits in 24 countries since then. A flurry of donations supported activist groups to push large companies to end the practice of confining egg-laying chickens in small cages. Peter Singer has described these caged hens as "the most closely confined, overcrowded, and generally miserable animals in America," and there are a lot of them—about 320 million at any given time.

The funding transformed nonprofits like the Humane League, which previously had an annual budget of less than $1 million a year and fewer than a dozen paid staff. "They were amazing people, with amazing ideas, working on a shoestring," Bollard says. The Humane League was granted a total of $5 million by Open Phil in 2016 and 2017; this year, it expects to spend more than $7 million and employ 75 people. Its hard-hitting campaigns have helped persuade Kroger's, Subway, and Panera Bread, among others, to improve their animal welfare policies. Altogether, advocates supported by Open Phil have secured promises to eliminate battery cages from about 300 US food companies. "We've seen an exponential growth in campaign victories," says David Coman-Hidy, the Humane League's executive director. The organization has professionalized, hiring its first human resources director and staff attorney, and it has raised salaries and benefits. "You no longer have to be psychotically committed and take a vow of poverty to work for us," Coman-Hidy says.

Open Phil's push for cage-free policies sparked a backlash, not just from chicken farmers but from Direct Action Everywhere, an animal rights group. Direct Action Everywhere argued that getting chickens out of cages might not improve their lives and could instead lead to "positive brand feelings around eggs" that increase consumption. For its part, the chicken industry has argued that hens are better off in cages.

Open Phil then did what few foundations would: It revisited the evidence on the animal welfare impacts of cages on hens. Ajeya Cotra, a research analyst at Open Phil, spent the equivalent of six weeks compiling a 9,500-word report that acknowledged that cage-free housing gets mixed reviews from some scientists, while affirming Open Phil's support for cage-free campaigns. Cotra wrote, "We continue to believe our grants to accelerate the adoption of cage-free systems were net-beneficial for layer hens, but we feel we made a mistake by not conducting a more thorough review of the research on this topic earlier."

If nothing else, the farm animal welfare program illustrates the power of Open Phil. With an expenditure of $47 million—a lot of money for the animal protection movement, but a fraction of Open Phil's resources—Open Phil supercharged a small number of groups in the United States and expanded the animal protection movement in China, India, and Latin America. (Its grants funded about 190 jobs in the global farm-animal movement, Bollard estimates.) Its money also steered the movement toward welfare reforms for chicken and

The Bot You Can Save

Two years ago, the Open Philanthropy Project made its biggest grant, a $30 million, three-year donation to OpenAI, a nonprofit group of researchers and engineers dedicated to advancing artificial intelligence (AI) to benefit humanity. It's a grant about the future—not just the future of AI, but the future of Open Phil.

Signaling the grant's importance, Holden Karnofsky, Open Phil's executive director, joined the board of OpenAI. To expand its work on advanced AI, Open Phil is seeking to hire several technical and policy experts. Recently, Karnofsky said that more than half of Open Phil's grantmaking in the near term will probably be devoted to long-term work like preventing catastrophic risks to humanity, including those posed by advanced AI.

Open Phil is not alone. Stephen Hawking, the theoretical physicist who died last March; billionaire entrepreneur Elon Musk; and Microsoft co-founder Paul Allen, who recently made a three-year, $125 million grant to his Allen Institute for Artificial Intelligence, also have warned of AI's dangers and supported research to keep AI safe.

Advanced general intelligence "is at least 10 percent likely in the next 20 years," Karnofsky says, but not enough people are paying attention. Advanced AI is "on a very short list of the most dynamic, unpredictable, and potentially

also steered the movement toward welfare reforms for chicken and fish, and away from the abolitionist agenda or competing strategies, such as vegan advocacy or farm sanctuaries that shelter animals and educate visitors about factory farms.

This is not unique to Open Phil—many big foundations play an agenda-setting role—but the stakes are higher for Open Phil because it seeks out causes that are neglected. Almost by default, it becomes a dominant player. So misjudgments or abuse of its power could have serious consequences, at least to those causes.

Understanding that, people at Open Phil say they strive to practice what some effective altruists call "epistemic humility." "We have a whole bunch of projects going on that question our basic assumptions," Karnofsky says, citing the cage-free study and the deep research done by David Roodman, a senior advisor, who has studied immigration, deworming, and whether putting more people in prison for more time reduces crime. (It doesn't.) Open Phil also tries to improve the accuracy of the judgments of its people—by, for example, engaging in what's called "calibration training," which involves efforts to help people avoid overconfidence and become better forecasters.

Whether this will improve decision making at Open Phil is, well, unpredictable. Much depends on the program officers, who are expected to be well connected, well respected, and experts in their field. They operate under a 50-40-10 rule. They have to convince Open Phil's board that about 50 percent of their grants, by dollar value, are good ideas. Another 40 percent need be merely okay, meaning that Tuna, Karnofsky, and Berger don't entirely buy in but see why the grant makes sense. The last 10 percent are discretionary, and get a quick approval unless they raise red flags.

OUTSIDE THE MAINSTREAM

Foundations are among the least accountable powerful institutions in the United States. Provided they fulfill the IRS's reporting requirements, they have no obligation to explain what they do or, for that matter, to do any good at all. This lack of accountability can lead to insular thinking and ineffective granting. It is also a license to embrace risk, support unpopular or neglected causes, and tackle problems that will take years or decades to solve.

Capitalizing on that freedom, Open Phil practices what Karnofsky calls "hits-based giving." Philanthropy's biggest successes, he says, often come from taking risks and being unafraid of failure. "When philanthropists are funding low-probability, high-upside projects, they're doing what they do best, relative to other institutions," he has written. This theme runs through much of Open Phil's grantmaking, including its funding of scientific research.

Consider David Baker, a PhD biochemist and the director of the Institute for Protein Design at the University of Washington. He has been trying for a quarter century to create proteins not found in nature—"artisanal proteins," the *New York Times* called them, in a glowing profile of Baker—and he is making dramatic progress. Using crowdsourced computers, cell phones, and open-source software built by a collective of scientists known as the RosettaCommons, Baker and his colleagues have designed thousands of proteins, with enormous potential, including a nano-scale particle formed from several proteins that millions of Americans would have cheered had it been available last winter: a universal flu vaccine.

You'd think that the government or pharmaceutical industry would be interested in an

world-changing areas of science," he says.

Behind Open Phil's work on AI is the belief that the technology could lead to catastrophe if it is deliberately misused by governments or terrorists, or if not enough care is taken to prevent super-intelligent machines from becoming smarter than people and spiraling out of control.

"If institutions end up 'racing' to deploy powerful AI systems, this could create a significant risk of not taking sufficient precautions," Karnofsky has written. "The result could be a highly intelligent, autonomous, unchecked system or set of systems optimizing for a problematic goal, which could put powerful technologies to problematic purposes and could cause significant harm."

Yes, it sounds like dystopian science fiction. But Karnofsky takes pains to say that he believes that future progress in AI is likely to do enormous good by, for example, improving the speed and accuracy of medical diagnoses or reducing traffic accidents by making cars safer. He worries that too much focus on the downside could open the door to premature or counterproductive regulation.

But Open Phil AI safety work, like its work on preventing global pandemics, is driven by a worldview that places a high value on the distant future. Nick Beckstead, a philosophy PhD and leading proponent of this view—his PhD thesis was titled *On the Overwhelming Importance of Shaping the Far Future*—leads much of Open Phil's work on catastrophic risk. Many effective

altruists argue that even very small reductions in catastrophic risks have enormous expected value because they have the potential to save the lives of countless numbers of future beings.

So far, Open Phil has donated about $51 million to about a dozen universities and nonprofits that work on AI safety, including OpenAI, the Future of Humanity Institute at Oxford University, and the Machine Intelligence Research Institute in Berkeley, California.

If and when advanced AI is developed, Karnofsky says, "we believe the world would be a lot better off if there's already a large, robust, excellent field of experts who have spent their careers thinking very deeply about what could go wrong with AI, and what we could do to prevent it." **—MARC GUNTHER**

lifetime immunity with a single dose, but no. Instead, Open Phil delivered an $11.4 million grant to Baker and his collaborators to support research into the vaccine, along with the development of the software tools needed to create it. Influenza causes an estimated 290,000 to 650,000 deaths each year, and it has the potential to cause a severe outbreak, such as the 1918 flu pandemic, which may have killed more than 50 million people.

Chris Somerville and Heather Youngs, who oversee funding for scientific research at Open Phil, say the potential of Baker's work aligns with the goals of Open Phil. Somerville told me, "This grant, for us, is important in several ways. It addresses an existing problem, which is the ineffectiveness of current seasonal flu vaccines. We would like to get a better one-time childhood vaccine that protects you for life. Secondly, it addresses our pandemic risk concerns. One of the most likely pandemics that we would face in the future is influenza. Third, it addresses our goal to contribute to improving science. There a lot of things we'll be able to do if we can design novel proteins."

Open Phil's scientific research program remains a work in progress, with focus areas to be determined. So far, though, since Somerville and Youngs left their academic jobs at the University of California, Berkeley, to join Open Phil in 2016, they have made nearly 20 grants worth about $56 million. Easily the biggest is a $17.5 million grant to Target Malaria, a Gates Foundation-funded consortium that is seeking to develop and deploy genetically modified mosquitoes to curb malaria in sub-Saharan Africa. Other grants have gone to scientists working on specific problems that are neglected by private or government funders, such as research into the repair of damaged livers or methods for mapping the structure of the brain, while still others support "breakthrough fundamental science"—that is, research intended to provide broad insights without focusing on specific short-term results.

The flu grant spans both categories, by targeting influenza while underwriting basic research into the tools to create proteins. Prominent scientists have urged the federal government to spend up to $1 billion a year to research a universal vaccine, to no avail. The drug companies that make the annual vaccines are also uninterested. "If David's universal flu vaccine works, the [seasonal flu vaccine] industry would be obliterated," Somerville says.

Baker has received federal funding over the years, but the National Institutes of Health turned down his proposal about the flu vaccine because it was thought to be "too early a stage and therefore risky," he says. The government's reluctance to fund experiments with unclear outcomes creates opportunities for Open Phil, according to Somerville and Youngs. Last year, they invited researchers whose applications were rejected during an NIH competition designed to fund high-risk, high-impact ideas to try again. About 120 researchers resubmitted proposals, and four teams were awarded $10.8 million.

It's further evidence that Open Phil does not to defer to expert opinion or conventional wisdom. "Our interest in neglectedness will often point us to issues where social norms, or well-organized groups, are strongly against us," Karnofsky says. Outside of the mainstream is where Open Phil wants to be.

TECHNOCRATS WITH HEARTS

Visiting Open Phil, you can't help but notice that most people who work there look alike. Chris Somerville, who held tenured professorships at UC Berkeley and Stanford, is old enough for Medicare, and his colleague Heather Youngs has a son in college. But the rest are in their 20s and 30s. Just one is African-American. Most have degrees from elite colleges; of the 21 staff members on the Open Phil website, five, including Karnofsky went to Harvard.

"We're not where we want to be when it comes to diversity," Karnofsky said three years ago. That's still true, he admits.

Many at Open Phil share his devotion to effective altruism. This could be a problem. Jon Behar, a former colleague of Karnofsky's at Bridgewater Associates who served on the board of GiveWell, says, "The effective altruism community and its leadership disproportionately represent populations who systematically lack humility ('the best and brightest'), experience (the young), and access to alternative perspectives (women, people of color, people who remember the '70s, etc.). That's a lot of red flags."

Open Phil's close association with the effective altruism movement, as well as its detached, intellectual approach, might lead it to miss opportunities to make change—and to learn.

William Schambra, a senior fellow at the Hudson Institute, says an undue focus on "the grand cosmic project of global giving" runs the risk of ignoring the messy but important work of attacking small-scale problems and building community.

"The gritty, unpleasant, contentious world of local politics and civic association is a magnificent school of citizenship," Schambra has written. He told me, "At the risk of grossly generalizing, I would say that every foundation, even the largest ones, should have at least 10 percent of its giving devoted to very local philanthropy, in their own backyards, that people visit personally and keep track of in a very anchored way." Get your hands dirty, he advises: The "cognitive elites" who staff big foundations need to "develop the notions of citizenship and compassion in an immediate way."

Schambra is a conservative. His critique is echoed by some on the left. Open Phil's work on the distant future, in particular, irks some. "I'm more concerned about a mother watching her child die of diarrhea than I am about someone who hasn't been born yet," says the founder of a nonprofit, who asked not to be named because he hopes to work with Open Phil.

Others, like Leah Hunt-Hendrix, founder of Solidaire, a group of donors who fund progressive causes, say that effective altruism underestimates the power of grassroots movements. "The most pressing crises of our time are products of our political-economic system," Hunt-Hendrix writes. "They are deeply historical, rooted in capitalism and imperialism, compounded by racism and sexism. In our pursuit of economic and political change, Solidaire's

fundamental commitment is to social movements, which seek to contest, disrupt, and transform these systems."

"We do fund movements," replies Berger, citing grants not just to farm animal welfare groups but to organizations fighting for criminal justice reform, against restrictive zoning, and for more just monetary policy. But it's fair to ask whether a more diverse board and staff at Open Phil might lead to support, say, for Black Lives Matter and its struggles for racial justice.

Questions about Open Phil's priorities will surely arise more often if, as seems likely, less of its grantmaking goes to prevent suffering today and more seeks to protect future generations. In a long update on cause prioritization published in January, Karnofsky wrote that he and the other directors of Open Phil—Berger, Hassenfeld, Moskovitz, and Tuna—continue to share "a desire to allocate a significant (though not majority) amount of capital to 'straightforward charity': giving that is clearly and unambiguously driven by a desire to help the less fortunate in a serious, rational, reasonably optimized manner." But such charity, guided by GiveWell, will probably amount to no more than about 10 percent of total giving at Open Phil, he said. Last year, it was about 37 percent, which amounted to $90 million. (In absolute terms, the dollar amount set aside for GiveWell and its charities is expected to stay roughly constant. GiveWell executive director Elie Hassenfeld declined to comment.) Funding for farm animal welfare, criminal justice reform, and scientific research is expected to be maintained, at a level of at least $50 million, for the next few years.

The major growth in giving, it seems, will flow to work on global catastrophic risk reduction, including the work on AI and pandemics. "It is reasonably likely that we will recommend allocating >50% of all available capital to giving directly aimed at improving the odds of favorable long-term outcomes for civilization," Karnofsky wrote. This reflects the worldview, popular among effective altruists, that ascribes very high value to the long-term future.

"I've come to believe that there is highly important, neglected, tractable work to do that is suited to improving long-run outcomes for large numbers of generations," he wrote—even if that means condemning people who live today to misery or early death.

Some will view this as proof that Open Phil is dominated by bloodless technocrats. That would be unfair. Tuna is, by all accounts, conscientious and caring. Karnofsky left a lucrative hedge fund job to start GiveWell, with no assurance of success. Berger donated one of his kidneys to save someone else's life. Their hearts, as well as their

Open Phil's Giving

Total giving for 2017: **$239,827,274**

- 37% Global health and development
- 26% Global catastrophic risks
- 13% Scientific research
- 10% Farm animal welfare
- 8% Criminal justice reform
- 6% Other
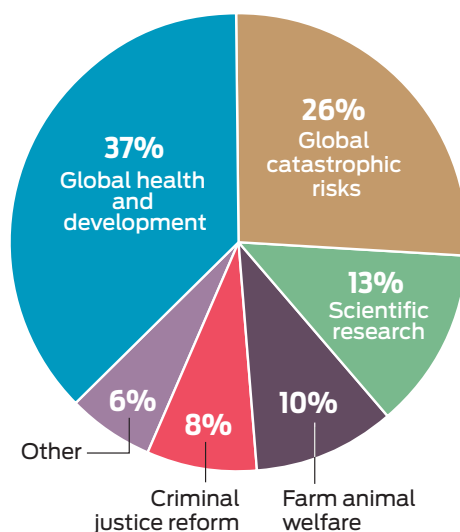
heads, shape their work. More important, the $225 million or so that Open Phil has given through GiveWell has saved many millions of lives and improved the lot of the world's poorest people. How many other foundations can make a similar claim and back it up with evidence?

As this story was being written, Marts & Lundy, a fundraising consultancy, released a survey that found that three out of four gifts or pledges of $10 million or more in 2017 went to colleges and universities. (Taner Halicioglu, an early Facebook employee and colleague of Moskovitz, gave $75 million to his alma mater, the University of San Diego.) The next most popular categories for large gifts—this covered individuals, not foundations—were gifts for the arts, culture, and the environment. Who knows how much good they will do, if any?

And while the Gates Foundation's work on global health has had a huge impact, its long-running campaign to reform American high schools has been disappointing. "What do you have to show for the billions you've spent on US education?" the Gateses asked themselves in their latest annual letter. "A lot, but not as much as either of us would like," Bill Gates replied. As education scholars Jack Schneider and David Menefee-Libey recently noted in *The Conversation*, the foundation spent at least $700 million merely to improve teacher evaluation systems between 2008 and 2013 before quietly dropping the program.

"It's a familiar storyline," they wrote. "Again and again, policymakers and philanthropists have teamed up to reform public education, only to find that their bold projects have fallen short." Indeed, in a grant that was not vetted by Open Phil, Moskovitz and Tuna contributed $5 million to Facebook founder Mark Zuckerberg's ill-fated effort to support school reform in Newark. Zuckerberg and Moskovitz were roommates at Harvard when they started Facebook.

Of course, it may be that some philanthropic spending on education has produced the desired results, at a cost that justifies the expense. But no one really knows.

In the long run, this may be the most important way that Open Phil stands apart from the crowd. There's plenty of blather in the social sector about "learning organizations" and "risk taking" and "embracing failure," but very few foundations publicly share what they learned, take big risks, or account honestly for their failures. Open Phil does all of that, and more. Its devotion to reason and evidence; its commitment to do as much good as possible; and its willingness to report publicly on what works, what doesn't, and why, are, arguably, unequaled in philanthropy.

Tuna and Moskovitz and their colleagues have started an important conversation. Other funders would do well to join in. ■

→ The for-profit limited liability company is poised to become the preferred vehicle for the nation's elite philanthropists. What it gives up in tax benefits it repays in flexibility, privacy, and control. Will the public gain from added investment in social good, or lose from ceding even more power to the wealthy?

The Rise of Philanthropy LLCs

BY DANA BRAKMAN REISER

Illustration by Michael Waraksa

To mark the occasion of the birth of their first child, Facebook founder and CEO Mark Zuckerberg and his wife, Dr. Priscilla Chan, made a big announcement. In a December 1, 2015, Facebook post, the couple declared their intention to give 99 percent of their Facebook shares to "advance human potential and promote equality for all children in the next generation."[1]

But rather than establishing a tax-exempt private foundation to pursue these ambitious goals, they said they would promote their philanthropic agenda through a for-profit limited liability company (LLC). This coordinated venture can make charitable grants, manage a diverse portfolio of investments, and engage in political advocacy—all free of the limitations and disclosure obligations to which private foundations are subject.

The Chan Zuckerberg Initiative (CZI) swiftly established major initiatives in each of these areas. Just a year after its creation, it announced a $3 billion charitable grant to fund medical research over the next 10 years. It kicked off this effort by donating $600 million to create Biohub, a new medical research institution in the San Francisco area.[2] CZI's first widely publicized impact investment led the Series B round for Andela, an African company that trains talent across the continent for placement with major technology firms worldwide.[3] CZI also supports a range of immigration and criminal justice reform projects, with such policy and

advocacy efforts led by David Plouffe, former senior White House advisor to President Barack Obama.

The massive size of Chan and Zuckerberg's pledge, valued at more than $45 billion when made and much more today, means that these programs will be only the tip of the iceberg. As they continue to roll out ideas and initiatives, CZI's LLC structure affords it optimal flexibility and the ability to work synergistically with Facebook, other for-profit and nonprofit partners, and political and advocacy groups.

Chan and Zuckerberg gave the philanthropy LLC its big reveal, but they did not originate the concept. Other Silicon Valley philanthropists broke that path more than a decade before. In 2004, Laurene Powell Jobs, the widow of Apple founder Steve Jobs, launched the Emerson Collective LLC, and eBay founder Pierre Omidyar and his wife, Pam, established the Omidyar Network, an umbrella organization with a nonprofit foundation and for-profit LLC.

Both organizations have not only distributed grants to a diverse range of charities, but also invested in numerous for-profit companies. Many of Omidyar's investees are focused on financial inclusion, such as Flutterwave, an African payment processing company, and Propel, which builds software to improve low-income Americans' experiences with the food stamp program. Emerson's investees range even more widely, from Neighborly, an online municipal bond broker, to the magazine *The Atlantic*. Both organizations also focus on enabling civic engagement, and Emerson has even taken a strong public position favoring immigration reform. These early adopters take great advantage of the versatility that their philanthropy LLCs afford them, using whichever tool fits the goal and partners in a particular project. They have done so, however, with little fanfare. Powell Jobs in particular is famously private.

By contrast, CZI took a decidedly different approach. Its initial public announcement, on the nation's largest social media platform, garnered the LLC structure widespread public exposure, and news media continue to report about the new programs it inaugurates. As awareness spreads, the growing ranks of high net worth and ultra-high net worth individuals are pondering whether to follow their lead.

Such reflections may lead to the LLC becoming the go-to legal structure for organizing large-scale philanthropic endeavors. It enables founders to avoid the substantial regulatory requirements that accompany tax-exempt status, while also maximizing their privacy and control. A philanthropy structured as an LLC secures these desirable features with relatively little increased tax burden, a tradeoff that many more high net worth individuals will likely find attractive as well.

THE VALUE PROPOSITION

A philanthropy LLC will strike those accustomed to equating philanthropic pursuits with tax exemption as bizarre. But there is method in this seeming madness. The gold standard tax-exempt philanthropic vehicle—the private foundation—is heavily regulated. The philanthropy LLC offers a path around this regulatory thicket. By operating outside the strictures of tax-exempt philanthropy, a for-profit LLC offers tremendous flexibility, provides its

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founders a protective shield of privacy, and enables them to retain complete control.

The blanket of regulation that the philanthropy LLC casts off is imposed by a combination of state nonprofit law and federal tax law. The most significant components, however, originate in federal tax rules for "private foundations." The tax code divides the universe of § 501(c)(3) tax-exempt entities into public charities and private foundations, the latter of which are more heavily regulated. Private foundations are typically funded predominantly by a single or small set of donors and pursue their missions primarily by making grants to operating charities instead of running charitable programs of their own. Philanthropic entities funded by contributions from one individual, family, or corporation are thus almost always deemed private foundations, as CZI would have been, had it been formed as a nonprofit, tax-exempt entity.[4] This characterization would have restricted CZI's investment, spending, and operational prerogatives in the following ways.

Investment | Federal tax law penalizes private foundations that hold too large a stake in any business enterprise. The rules are complex but generally set the ceiling at holdings of more than 20 percent of a corporation's voting stock. There is a five-year grace period (which can be extended to 10 years) during which private foundations receiving these "excess business holdings" by gift or bequest can sell them.

A philanthropy LLC gives its founders and leaders carte blanche to make any investment decisions they wish.

After that, they must dispose of the excess or face a confiscatory 200-percent tax on it. Donating 99 percent of Zuckerberg's Facebook stock would require Zuckerberg to give up his controlling stake in the company.[5] Had the recipient philanthropy been a private foundation, the excess business holdings regime would mandate a strict timeline for relinquishing this controlling position. For founders like Zuckerberg—still in his 30s and with no plans to pass the reins of Facebook anytime soon—triggering these rules would be a bitter pill indeed.

The excess business holdings rules can also impede particular investment strategies, even for philanthropists whose wealth is not largely bound up in a particular business enterprise. Many philanthropists today seek to incorporate impact investments into their efforts. For example, the Emerson Collective has often been a lead investor in startup funding rounds and sometimes purchases "significant minority" or even majority stakes.[6] The 20-percent ceiling can impose an undesirable constraint on structuring investments in for-profit entities designed to achieve a blend of financial and social returns. Using the LLC structure bypasses this barrier.

Federal tax law restricts not only the size of private foundation investment stakes but also the types of investments they can pur-

sue. Excise taxes penalize a "private foundation [that] invests any amount in such a manner as to jeopardize the carrying out of any of its exempt purposes."[7] As interpreted, private foundation fiduciaries can avoid these penalties if they exercise ordinary business care and prudence, but this test is applied investment by investment with a preference for diversification. A portfolio highly concentrated in impact investments will lack diversification and may include many very risky individual investments, qualities that can trigger penalties under the jeopardizing investment regime. State law fiduciary obligations—which also require nonprofit charities to steward their investments as would a prudent person, prizing diversification—add another layer of concern.

Private foundations can reduce these risks, especially if individual impact investments can meet the demands of the program-related investment (PRI) exception. This exception excludes from the jeopardizing category those investments, "the primary purpose of which is to accomplish one or more [charitable purposes] and no significant purpose of which is the production of income or the appreciation

itable investment similarly allow their fiduciaries to "consider the charitable purposes of the institution" in investment decisions.[11]

While these exceptions and new developments sanction impact investing, private foundations opting for this strategy will still be required to prove that their decisions fit within the limits of federal tax and state law. In contrast, a philanthropy LLC gives its founders and leaders carte blanche to make any investment decisions they wish. They are free to select the investees they consider optimal for reaching their financial and social goals, take stakes in these entities of any size they choose, and hold them for as long as they see fit.

Spending | The private foundation rules not only restrict investments, but also dictate how these entities spend their assets. Perhaps the best known of these regulations restricts political expenditures. All federally tax-exempt entities are precluded from engaging in political campaign activity and severely limited in the lobbying they can do. Breaching these lim-

⬇ *Mark Zuckerberg and Priscilla Chan prepare to announce the Chan Zuckerberg Initiative's $600 million investment to create Biohub.*

of property."[8] In addition, federal tax law treats PRIs as part of the required 5 percent of assets that private foundations must pay out each year. The PRI exception can provide comfort to foundations considering concessionary investments or grants to for-profit entities. But the impact investment category can also include investments made at market or near-market rates of return, or with a significant purpose of producing income, or which attract market-rate as well as impact-oriented investors. Foundations will face difficulty shoehorning impact investments like these into the PRI exception.

Rather than grant-equivalent PRIs, private foundations will need to justify income-seeking impact investments as part of their overall portfolio. Recent IRS pronouncements accept that private foundation fiduciaries exercising ordinary care and prudence can "consider … the relationship between a particular investment and the foundation's charitable purposes" in selecting investments, and clarify that they need not select only the investments with "the highest rates of return, the lowest risks, or the greatest liquidity."[9] This guidance offers significant comfort. Indeed, the Ford Foundation cited it in its decision to allocate $1 billion of its endowment to impact investment over the next 10 years.[10] Updated uniform state laws on char-

its risks loss of exemption. For private foundations, though, federal tax limits go further. They cannot engage in any lobbying or political campaign activity; doing so triggers steep tax penalties on the foundation and its managers.

Philanthropists who, like Chan and Zuckerberg, see policy and advocacy work as key to their objectives[12] can establish parallel organizations to pursue these activities. For example, a social welfare organization organized under Internal Revenue Code § 501(c)(4) is permitted (1) to engage in unlimited lobbying,[13] and (2) to participate in political campaigns, so long as political campaigning does not become the organization's "primary" activity.[14] These organizations cannot receive tax-deductible contributions and are taxed only on the lesser of their political expenditures or their investment income. They have become a favorite of donors seeking a combination of permissible political activity and privacy. With deliberate design and implementation, a philanthropist can engage in traditional charitable grantmaking through a private foundation and conduct substantial lobbying or political campaign activity via an affiliated social welfare organization. As long as the affairs and assets of the entities are not commingled, their affiliation need not violate private foundation rules.

Despite the potential workarounds, federal tax law's prohibition on private foundation lobbying and political campaign activity poses obstacles for donors seeking to combine philanthropy with advocacy in a single entity. Using an LLC, by contrast, offers a simple solution. A philanthropy structured as a for-profit LLC can engage in any lobbying and political activity it desires. It must, of course, comply with lobbying and campaign finance disclosure and other restrictions. But adopting the LLC structure removes the tax law constraint on a philanthropic venture's political activity.

The private foundation rules also impose affirmative spending mandates that a philanthropy LLC can ignore. As noted above, private foundations must pay out a portion of their assets annually. To avoid excise tax penalties, each must distribute at least 5 percent of its assets to appropriate recipients. Although PRIs will count toward this 5 percent, most qualifying recipients are tax-exempt public charities. The payout requirement compels private foundations to put at least a portion of their tax-privileged endowments to current

as self-dealing. To avoid self-dealing, compensation to directors, officers, substantial contributors, or their relatives must be "reasonable and necessary to carrying out the exempt purpose of the private foundation" and "not excessive." 16 Excise taxes charge foundations and their managers a portion of self-dealing transactions, and require them to be undone to avoid confiscatory penalties. The most recent excise tax in this area—enacted as part of the Tax Cuts and Jobs Act of 2017—imposes a 21 percent excise tax on any compensation over $1 million paid by a tax-exempt organization. Moreover, all of these penalties apply in addition to the basic rule, applicable to every entity qualifying under § 501(c)(3), that disallows exemption for organizations whose net earnings inure to their insiders or that bestow a substantial private benefit on a third party.

State fiduciary law generates further risks and burdens for the operations of nonprofit philanthropies. The duty of loyalty prohibits some self-dealing transactions by charitable entities, and requires all of them to (at least) be fair.[17] Fiduciaries who participate in transac-

use, rather than allowing them to accumulate perpetually. Philanthropists with aggressive spending plans might not find this payout requirement constraining. Still, it would require them to plan and track their expenditures to ensure they meet this externally imposed timeline for action. Using a philanthropy LLC removes these obligations entirely, affording founders and managers complete discretion over the mix and timing of grants and other expenditures.

Operations | The LLC structure also avoids the operational constraints that federal tax and state fiduciary law impose on traditionally organized philanthropies. These rules check the compensation practices of exempt philanthropies and can stymie transactions that bridge donors' philanthropic and private or business endeavors. They also impose transparency requirements that many philanthropists would prefer to avoid, and force them to give up significant control over the organizations they create.

Transactions. Yet another set of excise taxes penalizes "self-dealing" transactions between private foundations and their donors and affiliated entities, sometimes even when these transactions are priced at fair market value or better. These rules deem any "sale or exchange, or leasing, of property"15 between a foundation and its directors, officers, substantial contributors, or entities they control

tions that violate these mandates risk personal liability. The limits of permissible transactions vary somewhat depending on whether an organization is subject to the often more stringent

Laurene Powell Jobs (left) launched the Emerson Collective as an LLC to organize her philanthropy. Pierre and Pam Omidyar structured the Omidyar Network as an umbrella organization with a for-profit LLC arm.

rules of charitable trust law or the more tolerant nonprofit corporate regime. In either case, to ensure compliance, fiduciaries of traditional philanthropies are well advised to vet and document any transactions with fiduciaries, including compensation.

By organizing a philanthropy LLC, philanthropists can disregard these operational limitations. They can design compensation to entice the best talent to join their organization, rather than to meet the requirements or best practices of federal tax and state fiduciary law. For example, if a potential officer qualified to help advance CZI's goal to "cure all disease" has significant compensation requirements, it need not worry about paying penalty taxes should compensation exceed the reasonableness threshold or the million-dollar cap. In addition, LLC founders can integrate their philanthropic operations with those of the other entities they helm, including harnessing their companies' power and platforms.

Transparency requirements. Unlike a private foundation, which must disclose compensation and other self-dealing transactions to regulators and the public, a philanthropy LLC can make all of these decisions completely confidential. The LLC's operational flexibility complements the discretion it provides for investment and spending, and does so outside of the public eye. By protecting privacy, the philanthropy LLC offers adopters tremendous value.

Tax-exempt entities are subject to substantial disclosure requirements, primarily through the required federal tax Form 990. These informational returns, available to the public online at GuideStar .org, describe a filer's leadership and activities, listing by name its fiduciaries, top employees, and—in the case of private foundations— substantial contributors. Many states add their own reporting mandates to these federal disclosure obligations. Complying with these requirements can result in substantial administrative costs, but for wealthy donors who jealously guard their private lives, the privacy costs of these regimes may be even more distressing.

There can be tax costs to using an LLC structure, but they are not nearly as significant as one might surmise.

Loss of control. Finally, philanthropists who organize in the traditional way must yield a great deal of control over the entities they establish. A tax-exempt nonprofit organization must be managed by a board of directors or one or more charitable trustees. These fiduciaries are subject to legal obligations to the organization—not its donors. They make the ultimate decisions about managing the philanthropy's assets, which are irrevocably transferred to the charity and cannot be recovered in a case of donor's remorse. Once donated, charitable assets are subject to a nondistribution constraint[18] and cannot be returned to private use.

Conversely, a philanthropy LLC structure offers donors unparalleled control. They are contractual entities, whose owners may design and govern them in almost any way they wish. They can grant their managers and themselves broader freedom to act than in virtually any other legal form of organization. Perhaps most striking in the philanthropy context is founders' ability to exit. Assets given to a philanthropy LLC are not locked in place. If and when an LLC's owners decide its assets would be more productively deployed elsewhere—whether to "advance[e] human potential and promote equality for all children in the next generation"[19] or to build another technology empire—they may simply close the doors and take the assets with them.

To be clear, the public pronouncements of Chan, Zuckerberg, and other philanthropy pioneers suggest no desire to recapture the assets they have transferred to their philanthropy LLCs, and I ascribe no such motives to these particular individuals. The point is only that no law prevents LLC owners from pursuing this option down the line.

TAX BURDENS

It would be reasonable to expect philanthropists adopting the LLC structure to pay a price for these many advantages, and that the tax man would be the one collecting. But the surprises continue here.

The relative tax burden of a philanthropy LLC need not be very high at all, and a donor need not occupy the stratosphere of wealth that Silicon Valley billionaires inhabit to be able to shoulder it.

The federal income, gift, and estate tax systems offer benefits for taxpayer contributions to charity. Donations to a for-profit philanthropy LLC will not qualify for such preferential treatment, but much of its value can be preserved through careful planning.

Income taxation | Two different kinds of advantages flow to philanthropic entities under federal income tax law: deductible contributions and organizational exemption. The first accrues not to the charities themselves, but to their donors. When a philanthropist contributes cash or other assets to a qualifying tax-exempt charity, she may be able to deduct the amount of her contribution from her income in determining her annual tax liability.

Deductible contributions. The value of a charitable deduction to a particular donor depends on a series of factors. Like all tax deductions, its value increases along with a taxpayer's marginal tax rate. Donors in a higher tax bracket will save more tax by deducting a contribution of the same size than those in a lower one. Further, tax-deductible contributions are relevant only for taxpayers who itemize their taxes—taking individual permissible deductions for a variety of expenditures rather than relying on the single standard deduction that the government allows. For donors who do not itemize, charitable contribution deductions generate no tax benefits, and the 2017 tax law increased the standard deduction by a factor of two. This change is expected to reduce the number of itemizers by more than 27 million.[20]

In addition, the contribution amount qualifying for a charitable deduction will depend on the donor's income, the recipient charity, and the type of asset donated.[21] All charitable deductions are limited to a percentage of the taxpayer's income, so even the most generous donor cannot use a charitable contribution to offset her entire income and reduce her tax liability to zero. Gifts of cash to tax-exempt public charities can be deducted in an amount up to 60 percent of a taxpayer's annual income, and gifts of appreciated property up to a ceiling of 30 percent. For contributions to private foundations, deduction limits of 30 percent for cash contributions and 20 percent for appreciated property apply.

Further, when donated to a private foundation, a contribution of appreciated property will generate a deduction for only its unappreciated value, while the same contribution to a public charity can be deducted at its full market value. This benefit, too, has a limit; it applies only to gifts of appreciated stock of up to 10 percent in any single corporation. These factors will combine to reduce the value of the charitable-contribution deduction for many philanthropists, especially if they are donating to private foundations, have already or nearly reached their percentage limits, or desire to donate large blocks of appreciated stock.

Donations to a philanthropy LLC, of course, do not qualify for any income tax deduction whatsoever. Charitable contributions are deductible only if made to a tax-exempt entity, which for-profit LLCs are decidedly not. But there is less to this ineligibility than might first

appear. A donor's $1 million contribution to a philanthropy LLC will not generate an income tax deduction immediately, but its owners can deduct the portion of that $1 million that the LLC ultimately donates to a tax-exempt entity. This is because federal income tax law taxes the income of LLCs not as organizational income, but only as part of the individual income of the LLC's owners, who report it on their personal returns.[22] Owners of LLC interests can likewise write off an LLC's charitable contributions and other deductible expenditures against their individual income. Thus, to the extent that a philanthropy LLC makes charitable grants, its owners will be able to deduct these contributions just as they would a direct charitable gift.

Time is money, of course, so there is a cost to the LLC structure. In this instance, though, the cost of using an LLC need only be the deferral of a tax benefit, not its forfeiture. For a donor whose income is not high enough to offset the full extent of a charitable-contribution deduction in light of the percentage limitations, the LLC can also be used to receive a large donation and then to parcel out contributions to recipient charities at times that are advantageous for the donor's deductions.

Organizational exemption. The income of tax-exempt entities like private foundations is also exempt from taxation, while the income generated by for-profit LLCs is not. If CZI sells shares of Facebook, or makes a return on other investments, this income will be taxed to its owners at their individual rates. Again, though, the necessary tax costs can be minimized through careful planning. Philanthropy LLCs designed to make risky impact investments, donate to charities, and fund political activities may not generate significant income to be attributed to owners for income tax purposes. Taxable income can be further diminished by funding a philanthropy LLC's operations on an as-needed basis. Assets that flow in just as they are required to be given away will generate minimal income subject to taxation, as well as providing staged charitable contribution deductions more likely to fit within a donor's percentage limitations.

Gift and estate taxation. Income tax advantages, though, are just part of the tax-benefit package of traditional philanthropic structures. Contributions to tax-exempt private foundations and public charities also elude gift and estate taxes. These levies of up to 40 percent apply to gratuitous transfers made during life and at death, respectively.[23] They are subject to numerous deductions, as well as a unified lifetime credit now shielding transfers of more than $10 million in assets ($20 million for married couples), thanks to amendments roughly doubling the credit adopted as part of the 2017 tax legislation. This enormous buffer against taxation means that only a tiny number of individuals with extremely large fortunes to transfer will ever pay these taxes. For major philanthropists considering the LLC structure, though, transfer taxes can still remain a relevant concern.

The gift and estate tax rules provide extremely generous deductions for contributions to tax-exempt charities. In contrast to the approach under the income tax, these deductions are subject to no percentage ceilings or other restrictions. So long as a contribution is made to a qualifying charity, its amount is entirely exempt from gift and estate taxation. A philanthropy LLC does not qualify, so donors might reasonably worry about the application of the high gift and estate tax rates to their transfers to such entities. But preparation can sharply reduce the tax hit that donors will take for adopting this structure.

Gift tax concerns may be the easiest to shrug off. Gift taxation applies only to transfers by donors who receive no consideration in return. Asset transfers to a philanthropy LLC, however, can be structured to provide significant return benefits to donors. At its founding, philanthropists who transfer assets to an LLC receive ownership interests in it, which in turn entitle them to governance rights over the entity and the potential to retake the assets from the LLC on dissolution. Future cash infusions can provide additional membership or governance rights as well. Such transfers made quid pro quo are simply not gifts at all and therefore will not trigger the gift tax.

Without the immunity of the charitable deduction, though, a donor's interests in a philanthropy LLC will be a part of her taxable estate at death. Estate planning, however, provides an easy escape route: A donor must simply put in place an estate plan that transfers her interests in her philanthropy LLC to a tax-exempt charity on her death. Married donors can also take advantage of the estate tax's unlimited marital deduction by transferring their philanthropy LLC interests to the surviving spouse upon death and arranging for the surviving spouse to transfer the LLC interest on death to a tax-exempt charity. Philanthropists inspired to follow Chan and Zuckerberg's lead can readily adjust their estate plans to eliminate estate tax concerns.

This workaround does not mean that philanthropy LLCs can outlive their founders and avoid taxation—a trick that tax-exempt foundations achieve handily. This drawback should be noted by anyone considering a philanthropy LLC structure. For the many modern donors who prefer spending down their charitable assets to building a future endowment, though, it will present only a minor hurdle.

There can be tax costs to using an LLC structure, but they are not nearly as significant as one might surmise. By providing a framework for staging contributions, the LLC structure can sometimes even confer a tax benefit. After taking into account its advantages in flexibility, privacy, and control, many philanthropists will find the LLC extremely attractive.

THE UPSHOT

The surprising appeal of the philanthropy LLC takes on even greater significance when one considers the swelling ranks of millionaires and billionaires today. A 2017 global report found more than 225,000 individuals with at least $30 million in investable assets, and more than 73,000 of them live in the United States.[24]

These wealthy individuals and their advisors already face a philanthropic field in which choices of form have begun to proliferate. For example, the donor-advised fund operates much like a private foundation, but at a lower cost and with reduced regulation. Donors to these vehicles sponsored by (sometimes for-profit affiliated) public charities can take immediate income tax deductions and advise on the use of the donated assets over the long term. Donor-advised funds cannot be used for political activity and cannot become standalone institutions, but the more than $85 billion in assets they have attracted to date proves their allure.[25] The LLC's great advantages and manageable costs will allow it to compete with donor-advised funds, private foundations, and other alternatives for managing philanthropic assets. It also meshes easily with the popular "family office" model, where an entity—often an LLC—is created to manage the business, investment, and philanthropic needs of wealthy families.[26]

Even if the philanthropy LLC does not achieve dominance, its entry into the field as a significant alternative has important policy implications. The LLC structure offers the potential boon of an influx of capital to combat society's problems. This infusion of funding is an enticing prospect, especially as it can be deployed nimbly and strategically, so long as it results in a net gain in assets deployed for social good. Whether it will is an empirical question that will require time and study to resolve. At present, there remains room for cautious optimism that—rather than crowding out traditional charities—the philanthropy LLC structure will unleash additional assets to pursue prosocial efforts.

There is, however, the very real concern that growth in LLC structures will magnify philanthropy's already problematic elitist nature. Critical work by Stanford University political scientist Rob Reich and philanthropy researcher and journalist David Callahan points out that private foundations are subject to only limited transparency and public accountability in exchange for their tax benefits.[27] Yet these traditional philanthropies empower the wealthiest individuals and families—or those of decades or centuries past—with considerable control over the social agenda of our nation.

Private foundations are hardly democratic paragons, but the for-profit LLC structure guarantees the public even less ability to examine, understand, and influence a philanthropy's activities. The restrictions on private foundations are imposed to curb and channel the influence of their rich and powerful donors. By freeing the wealthy from these limitations, LLC structures pose the risk of amplifying the antidemocratic elements of elite philanthropy and their consequences for society.

That said, the LLC is not going anywhere, and it will be very difficult to clamp down on its use in philanthropy without a more wide-ranging progressive tax reform—an unlikely prospect in today's political environment. For now, the response of donors, rather than lawmakers, will determine the balance of promise and peril in the philanthropy LLC. As philanthropists consider the ever-expanding range of options for pursuing their charitable objectives, they should consider how choosing an LLC's flexibility, transparency, and control aligns with their broader social goals.

The creation of the Chan-Zuckerberg Initiative launched the philanthropy LLC structure into the public eye. Avoiding the regulatory web that surrounds private foundations will have obvious appeal for philanthropists seeking maximal flexibility to pursue social good. But for the public, the ability to avoid scrutiny that LLCs bestow upon the nation's wealthiest takes a darker cast. The regulation that philanthropy LLCs avoid valuably channels elite philanthropy, and forces its purveyors to reveal themselves and some of their activities to the public. Whether philanthropy LLCs can increase financial support for social good enough to outweigh the costs of establishing a more powerful and less public breed of philanthropy remains to be seen. ∎

NOTES

1 Mark Zuckerberg and Priscilla Chan, "A Letter to Our Daughter," Facebook post, December 1, 2015.

2 Katie Benner, "Not Thinking Small for $3 Billion Investment," *New York Times*, September 22, 2016.

3 Steve Lohr, "A Tech Talent Pipeline from Africa," *New York Times*, October 11, 2017.

4 The Chan Zuckerberg Foundation predated CZI's creation, and CZI uses it to make grants to public charities. Since its inception, CZI has transferred more than $1 billion to the Foundation, which has in turn reported grants to two public charities: $20 million to the Biohub project and approximately $1 million to The Primary School, an education and health-care nonprofit founded by Priscilla Chan. See Chan Zuckerberg Foundation Form 990-PF (2016).

5 Soon after CZI's creation, Facebook's board of directors approved a plan put forward by Zuckerberg to reclassify Facebook's stock and create a new, nonvoting class. Shares of this class would be available for donation to CZI, while Zuckerberg would retain control over the company through his super-voting shares. See the plan's announcement on Facebook by General Counsel Colin Stretch titled "Preserving Founder-Led Structure to Focus on the Long Term" (April 27, 2016). Shareholders sued, and the plan was ultimately abandoned. See Vice Chancellor J. Travis Laster, "Stipulation and Order Dismissing Action as Moot and Retaining Jurisdiction to Determine Plaintiffs' Counsel's Application for an Award of Attorneys' Fees and Reimbursement of Expenses," Delaware Court of Chancery, September 26, 2017.

6 In "Laurene Powell Jobs Goes Hollywood, Buys Minority Stake in 'Spotlight' Producer Anonymous Content" (*Hollywood Reporter*, September 30, 2016), Matthew Belloni reports that Emerson's 2016 acquisition of "a significant minority stake in Anonymous Content, the production and management company behind the Oscar-winning film *Spotlight*," sought to harness "the power of storytelling to shape our culture and improve lives." See also Gillian B. White, "Emerson Collective Acquires Majority Stake in The Atlantic," *The Atlantic*, July 28, 2017.

7 IRC § 4944(c).

8 Treasury Regulation § 54.4944-3(b).

9 Internal Revenue Service, Notice 2015-62, Investments Made for Charitable Purposes.

10 Darren Walker, "Unleashing the Power of Endowments: The Next Great Challenge for Philanthropy," FordFoundation.org, April 5, 2017.

11 Uniform Prudent Management of Institutional Funds Act (UPMIFA) §§ 3(a), (e)(1)(H).

12 In "A Letter to Our Daughter," Zuckerberg writes, "*We must participate in policy and advocacy to shape debates*. Many institutions are unwilling to do this, but progress must be supported by movements to be sustainable." (Emphasis in original.)

13 See Treas. Reg. § 501(c)(4)-1(a)(2)(ii), which provides that an organization "may qualify [for exemption] under section 501(c)(4) even though it is an action organization." (An "action organization" engages in substantial lobbying or any political campaign activity.)

14 See IRS Rev. Rul. 81-95. Business leagues exempt under § 501(c)(4) are subject to similar treatment. See Rev. Rul. 61-177, which states that an organization may be exempt under section 501(c)(6) "even though its sole activity is directed to the influencing of legislation which is germane to such common business interest." Also see G.C.M. 34, 233 (December 3, 1969), which addresses political campaign activity by § 501(c)(6) business leagues.

15 I.R.C. § 4941(d)(1)(A).

16 I.R.C. § 4941(d)(1)(D) and (2)(E).

17 Marion Fremont-Smith, *Governing Nonprofit Organizations*, Cambridge, MA: Harvard University Press, 2004, pp. 195-197, 215-225.

18 The term was coined by Henry B. Hansmann in "Reforming Nonprofit Corporation Law," *University of Pennsylvania Law Review*, 129, No. 3, 1981, pp. 497, 501.

19 Zuckerberg, "A Letter to Our Daughter," *supra* note 1.

20 The Tax Policy Center, Model Estimates, "T18-0001—Impact on the Number of Itemizers of H.R.1, The Tax Cuts and Jobs Act (TCJA), By Expanded Cash Income Level, 2018."

21 IRC § 170(b), (d), (e).

22 Not all LLCs elect to be governed by pass-through taxation, as this regime is commonly known, but they typically do so.

23 I.R.C. § 2001.

24 Wealth X, *The World Ultra Wealth Report 2017*, p. 1.

25 The most recent report of the National Philanthropic Trust, *2017 Donor-Advised Fund Report*, reports this figure as the value of all assets under management by donor-advised funds at the end of 2016. As contributions to donor-advised funds have continued to grow strongly, as have most investment returns, the value today is almost sure to be considerably higher.

26 EY, *EY Family Office Guide*, 2016, p. 5. The guide describes the family office phenomenon and indicates that "at least 10,000 single family offices [are] in existence globally and at least half of these were set up in the last 15 years."

27 Rob Reich, "On the Role of Foundations in Democracies," in Rob Reich, Chiara Cordelli, and Lucy Bernholz, eds., *Philanthropy in Democratic Societies: History, Institutions, Values*, Chicago: University of Chicago Press, 2016, pp. 64-65; David Callahan, *The Givers: Wealth, Power, and Philanthropy in a New Gilded Age*, New York: Alfred A. Knopf, 2017.

Nonprofits face a new era of making considered choices about their digital infrastructure to ensure that it aligns with their mission. The decisions that nonprofit executives and boards will make promise to transform the sector.

The Ethics of Designing Digital Infrastructure

BY LUCY BERNHOLZ
& LYNDON ORMOND-PARKER

Illustration by James Minchall
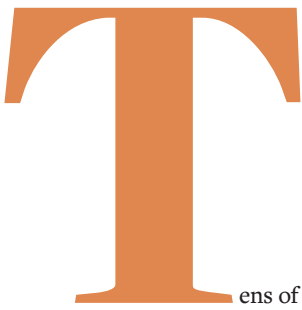
Tens of thousands of years ago, communities in northern Australia began developing systems for managing information to help them survive in a harsh environment. They designed these systems to delegate roles and responsibilities to different people with different skills, often delineated by age and gender. They shared knowledge about where to find certain foodstuffs and water supplies, how to distinguish medicinal plants from poisonous ones, and where territorial borders were drawn. They depended mostly on oral and visual practices to store and transmit critical information. They managed this valuable resource for the benefit of all and thrived for millennia.

Prior to colonization, approximately 400 languages were spoken on the Australian continent, and the northern region was one of the most linguistically diverse. But colonial rule threatened this rich cultural heritage by imposing legal, educational, and religious demands that were backed by forced migration and bans on linguistic and cultural practices. In the face of this threat, indigenous communities were forced to adopt strategies to protect themselves and their traditions.

Four hundred miles southwest of Darwin, on Australia's north central tip, lies Wadeye, a town of about 3,000 people. The majority of its residents are Aboriginal people from more than 20 clans, culturally rich, young, and economically disadvantaged. The predominant language spoken is Murrinh-patha.

Since the 1970s, the local community has been taking steps to record their language and customs. They made audiovisual recordings of linguistic traditions as well as of songs, dances, and examples of other traditional practices. They captured this knowledge on VHS tapes and mini-DVDs, which they stored at Wadeye's Kanamkek-Yile Ngala Museum.[1] Then, in 2010, local Wadeye leaders joined with representatives from national heritage organizations and colleagues from the University of Melbourne to develop a digital version of the museum's linguistic and cultural recordings.

Digitization afforded protection from loss of fragile VHS tapes, the opportunity to store backup copies offsite in preservation-quality facilities, and the ability to continue offering regular local access to the information. Over several years, Wadeye community elders, local museum and cultural staff, and scholars from across the country created a digital audiovisual archive, established a narrowcast television system in Wadeye, and piloted a local area network. The research team designed these systems to fit both the community's information-management practices and the extreme challenges of distance and cost.

The community and research team made digital copies of the analogue archive and used a local computer server to facilitate access. They developed a computer-based filing system that transferred the community's traditional rules about access into the digital system. They developed and coded all of the materials with a metadata schema that enabled the system to find and serve only that information to which a user was allowed access, based on his or her age and identity. In order to align with these knowledge practices and keep the costs down, the team configured low-cost delivery systems using the Raspberry Pi system of open-source hardware. They used Linux to enable access to the digital collection on nondigital televisions. The system was designed to take advantage of existing community infrastructure, including the television in the community center.

The Raspberry Pi hardware could be connected to this shared television with the same basic cables used to attach a DVR. The elders then tested the system, checking that the access rules were clearly embedded in the digital system.

In order for the local Aboriginal community to make their shared history and culture accessible for everyone, a digital TV broadcast system was established in late 2016. WadeyeTV broadcasts current and past events, such as football matches, ceremonies, stories of traditional songs, dance, oral histories, and health-promotion messages in Murrinh-patha.

In this way, the people of Wadeye have built and continue to develop digital systems that literally encode their values. They have pursued an inexpensive, sustainable way to protect their information, secure it from damage, and make it available for regular use. The infrastructure they developed aligns with their values about information, fits within their limited budget, and can be maintained by the existing staff.

Such a well-aligned digital infrastructure should be the aspiration of all nonprofits, everywhere. Nonprofits today are dependent on digital software and hardware. Just as they manage their financial, physical, and human resources, so must they align their digital technology with their values to achieve their mission.

TODAY'S DIGITAL DEPENDENCIES

In the 1960s, motivated by surging attention to civil rights, entrenched poverty, and antiwar sentiments, foundations, nonprofits, and churches began to align their investment portfolios with their programmatic missions. Through decades of innovation and iteration, from divestment efforts to the creation of the impact-investment movement, a field of financial practice emerged that sought to better align investments and values. There are many ways to seek mission alignment, ranging from omitting certain types of stock holdings, such as those in tobacco or firearms, to active portfolio management to invest in mission-related enterprises. Not all foundations or nonprofits align their investment portfolios with their missions, but many do. It's a common enough practice that those organizations that don't screen their investments in any way related to their missions are likely to have at least considered doing so. In other words, over several decades, what was fringe practice became common, with many options for levels of participation.

It's time to follow this same pattern by aligning organizational missions with digital infrastructure and data practices. Just as nonprofits and foundations depend on their financial resources to power their organizations, so do they depend on digital resources. These assets are less familiar than money, but no less important. The systems to manage digital resources can be built in ways that align with an organization's mission but should not be assumed to do so. The preset defaults built into software may be out of sync with an organization's values. The key for all nonprofit organizations is to be able to assess—and redress— any such technological compromises.

Aligning technology with mission requires understanding the organization's complete tech stack—the layers of infrastructure, including hardware, software, and organizational practices and policies, that undergird our everyday use of digital technology. The stack includes the organization's choice of computer storage (cloud or onsite); software and hardware choices; and processes for collecting, storing, using, sharing, and destroying digital information, from

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emails to board dockets. It necessitates decisions about software, hardware, external vendors, and the organization's data governance practices. Aligning the technology and digital practices with organizational purpose is as important as managing and governing your analog resource—time, money, and human capital—toward mission.

Digital resources are more varied than financial contributions, they come from a wider variety of constituents (including beneficiaries), and they are often exchanged over platforms and software that put third-party interests between donors and recipients. Digital data are also subject to an ever-shifting mosaic of legal demands, depending on whether they represent children, medical, educational, consumer, or financial information. Commercial firms and public agencies trying to govern digital data also must attend to the ways that networked binary code differs from financial or human resources. But the balancing act for organizations in civil society—which seek to use privately donated resources for public benefit—raises a suite of additional challenges.

When we envision the nonprofit or philanthropic organization of the 21st century, we can assume it will be using donated resources—financial, human, and digital—to achieve its public purpose. For financial and human resources, we have models of good practice, from internal financial checks to external auditors, as well as legal guidelines, including nondiscrimination laws and human resource managers.

But when it comes to managing and governing digital data, we are just now creating these practices. Nonprofit organizations are beginning to realize that using digital data well requires more than just the right software. It also demands personnel training, organizational policies, and board liabilities.

All organizations using digital data now need to consider how their dependence on this resource changes their technological, managerial, and governance practices. Civil society organizations are further challenged because these dependencies adhere the entire (theoretically independent) sector to governments and commercial actors in ways not yet fully acknowledged. Digital ties between nonprofits and governments are persistent and pervasive. They include nonprofit dependence on public data sources for program work and advocacy, an unintended consequence of open data, open government, and transparency initiatives. More broadly, government surveillance of the Internet and wireless spectrum means that all digital communication, including that of civil society organizations, is swept into state-monitored systems, effectively eliminating even notional independence or privacy. The same dynamic is at play for nonprofits and foundations using commercial software, cloud storage, or platform services in their default modes. Practically speaking, civil society, as a space free from government or commercial monitoring, doesn't exist in networked digital space. This is a challenge not just to the resilience of individual organizations, but also to the existence of both civil society and the democratic systems that depend on it.

Individual nonprofits and foundations now run on digital data—from emails to home addresses, performance measurements to

programmatic information on vulnerable people, evaluation data to donor information. While some domains are ahead of others, we are generally at the early stages of designing practices and policies for managing and governing digital data safely, ethically, and effectively for public benefit. Creating an appropriate tech stack for mission-driven organizations requires aligning software defaults, operating practices, organizational governance, and public reporting and oversight expectations.

A QUESTION OF GOVERNANCE

While there are technological advances that hold promise for civil society, the challenges we currently face are primarily questions of governance. They are shaped by internal challenges of resource stewardship and external challenges created by the political economy of civil society. They involve decisions about and tactics for protecting and stewarding digital resources in line with a nonprofit's particular mission. The external challenges arise because the vast majority of software and digital infrastructure used by nonprofits and foundations are commercial products and government-surveilled systems. The nonprofit sector has largely had to compromise its values to fit the default offerings of these digital tools. Only occasionally has civil society been able to leverage any collective power to develop and maintain digital tools that align with its values. Even then, the sector's reliance on commercial and public digital infrastructure shades the sector's cherished sense of independence.

The managerial and governance challenges of digital data are distinct from the programmatic or analytic challenges of using data for performance measurement or evaluative purposes. Unlike these narrower applications, the organizational implications of digital data are all-encompassing. They extend from board policies to front-line staff training, require regular updating, and are most effectively supported as perennial budget items. In an ideal situation, the operational questions will be answered in ways that facilitate these performative tasks. But in the real world, the desire to collect and use data often pushes the operational challenges to the fore.

Nonprofits can distinguish themselves from their commercial or public sector counterparts by how they apply their digital resources toward mission. To do so well requires a deeper understanding of how digital systems work; a new set of skills for staff, volunteers, and board members; and new measures of success. For nonprofits to succeed today, they need to be able to align all of their resources— financial, human, and digital—with their mission. From board chair to software, successful nonprofits will be those that maximize the potential of these complementary resources while maintaining the trust of those they serve.

Nonprofits are digitally dependent. Whether they exist as a large corporation with hundreds of staff people or as a group of local volunteers meeting in kitchens, they are likely to rely—at the very least—on a set of mobile phone numbers to get their work done. Building up from that minimum—the use of email, laptops, networked printers, social media platforms, hosted servers or cloud storage—today's nonprofit organizations rely on digital services and infrastructure. Aligning digital resources with mission is as important as is aligning the funding you receive, the office locations you choose, and the skills you select for when you hire staff, manage volunteers, or select board members.

Aligning digital resources requires a similar set of considerations. The task is harder, however, for several reasons. First, we're still not used to doing it. Even though nonprofits have been digitally dependent since they got their first email addresses, they still struggle to incorporate real technological expertise. Second, digital systems are opaque—you don't see the wireless spectrum, and most of us prefer not to have to understand how our routers and servers work or even where the data on our mobile phones is stored. Third, a lot of very cool software is available for free—a price point that is universally attractive, especially for financially strapped organizations. Access to online document-sharing tools, cloud storage, and social media networks can be had with what at first appears to be no associated line item on the expense side of the budget.

But the most important reason for misalignment is that most of us—in our lives at work and at home—don't realize the types of tradeoffs that software and hardware demand of us. Cost has been the primary criterion for choosing software and hardware products. Functionality, access, configurability, support, maintenance charges—these considerations also factor in. But for decades, only a minority of organizations and civil-society activists have paid much attention to the ways in which their choices of digital resources might or might not reflect their values and their mission.

DIGITAL CHOICES

In many ways, the movement to align financial investments with mission has been more straightforward than similar efforts to align digital practices. While there are many decisions to be made about financial resources, a robust service sector of professional managers and advisors is ready and willing to help. Financial decisions and activities can be overseen by a finite number of people in any organization, on clear schedules, and with assigned checks and balances. There are also clear regulatory requirements and compliance mechanisms.

Aligning digital practices is more complicated for a few reasons. First, digital data and systems are used by everyone in an organization, or at least everyone with an email address. The practices and policies that an organization wishes to follow must be communicated to, understood by, and practiced by everyone. Second, digital resources are still poorly understood, especially as compared with money. Third, digital data are almost never static; they exist on what is often referred to as the "data life cycle," and decisions need to be made for each stage of this cycle. Fourth, digital practice involves at least three separate but related sets of activities and choices:

- information technology decisions about hardware, networks, and software;
- data management for specific purposes such as programming, evaluation, fundraising, or communications; and
- data governance as a board responsibility, strategic asset, and source of liability.

While it would be most efficient and cohesive to have the last area—data governance for strategy and liability purposes—attended to first, most organizations find themselves either focused on IT decisions or addressing data management issues in an ad hoc way. Recognizing this, a more useful place to start is with the data life cycle—a frame that can be used to consider decisions about IT (both

software and hardware) as well as specific departmental goals and legal obligations for certain kinds of data. There are many versions of the data life cycle, each providing various levels of complexity. For our purposes, a simplified five-stage process will suffice. These stages are collection, analysis, storage, sharing, and destruction.

Once organizations recognize digital data as a "living" resource, they can inventory it, apply their existing decision-making processes to develop new policies, and budget for the kinds of training or systems changes needed to manage digital resources responsibly.
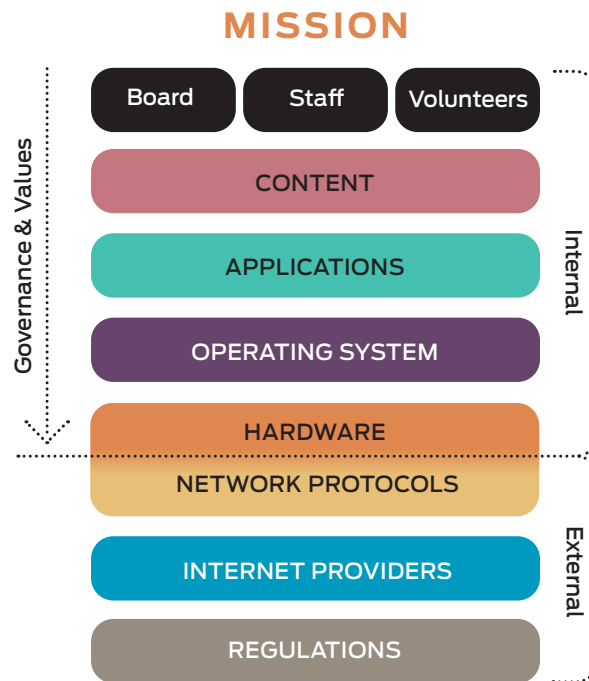
The most important thing to learn from looking at your organization's data through the lens of a life cycle is that data governance is *everyone's* business. Simply plotting email along this life cycle reveals that these data are created and used by everyone; are stored on several different devices at any point in time; and require organizational policies and ongoing training to control how they are shared, accessed, and destroyed.

It's also important to think about the multiple, interoperable layers of digital technology that support your organization's work. To align your tech stack with your organization's mission is to identify the points of intersection between software and hardware and your organization's values. If your organization is working with vulnerable people, for example, you will want to make sure that the software, hardware, and external vendors you use can protect that information and allow access to it in ways that align with your governing board's responsibilities. Because most nonprofits won't be in a position to negotiate over shared Internet infrastructure, it's worthwhile to consider only those layers of the tech stack over which a typical organization can exert some control.[2] (See "Layers of the Nonprofit Tech Stack" above.)

Every organization depends on these layers and has varying degrees of choice at each stage. At the top layer—where content and applications meet board governance—organizations have a lot of control. As you move down the tech stack to the bottom layers of networking protocols and Internet providers, the number of choices available to consumers decreases. In many parts of the world, the choices of telecommunications carriers for broadband are limited. Organizations with technically advanced staff have more options at every level of the stack, as they can customize their applications; use open-source products; and take advantage of smaller, niche vendors that provide alternatives to the major infrastructure providers.

It should also be noted that many organizations rely on software as a service, and they store their materials on offsite servers, commonly called "the cloud." These choices blend together different layers,

Layers of the Nonprofit Tech Stack

MISSION

Governance & Values

Board   Staff   Volunteers

CONTENT

APPLICATIONS

OPERATING SYSTEM

HARDWARE

NETWORK PROTOCOLS

INTERNET PROVIDERS

REGULATIONS

Internal

External

basically bundling applications with hardware, for example. They are the digital equivalent of managing your organization within the software and hardware boundaries offered by the vendors, most often Amazon, Microsoft, Google, or Salesforce.

Because cost and accessibility are important parameters, nonprofits may find that the choices available to them aren't ideal. For example, an organization might prefer not to use commercially provided free-storage options because it doesn't want its information to become the property of the corporate provider. However, it also doesn't have the resources to build, maintain, and protect its own systems for remote access. In this case, the alignment challenge will require an organization to use less-than-preferred technology and train their staff to be careful about the kinds of information that is stored there. This mix of human behavior and technological solution will be common throughout the alignment process.

NONPROFIT VALUES FOR DIGITAL DATA

The nonprofit sector in the United States alone includes more than one million organizations with missions that are wide-ranging and often at odds with one another. Because of this, there is no one-size-fits-all approach to aligning technology with organizational mission. However, it is possible to identify common values that hold for the nonprofit sector across its multitude of missions by focusing on its overall function and purpose. In contrast with for-profit corporations, nonprofits exist to ensure that a diversity of public-benefiting efforts, which are not served by the larger market or public sector, can flourish. The tactics designed into the form to ensure the public benefit include limiting the possibility of individual profit, self-governance, and accountability for activities.

If we define civil society as the voluntary pursuit of public benefit using private resources, we can identify four common values for all organizations in this sector. Their voluntary nature requires a commitment to consent and permission. The dependence on private resources demands attention to the rights of individuals—the need to secure the resources and recognize individuals' control over their data as well as their associational and expressive rights. The public-benefit purpose suggests that data use be mission-specific (as distinct from a potential revenue source). And the pluralistic nature of the sector reinforces the opportunity to engage multiple voices—including those of the people represented in the data—in governing the resource. This generates four common principles for digital data use: public benefit, voluntary (or permission-based), private rights, and pluralism.

First, prioritizing public benefit when making choices around data use enables an organization to ask itself whether the risks of

having certain kinds of data are worth it. Are there types of data being collected that don't serve the public purpose of the organization, and can that be minimized? This focus on public benefit might inspire reconsideration of board structure or decision making. Some groups, such as Emerson College's Engagement Lab, have developed new advisory structures so that the people represented in the data have some say over how the organization uses it. They do this through a combination of new advisory boards and memoranda of understanding between participants outlining their different roles.

The voluntary nature of the sector also provides a filter for technology practices. Nonprofits rely on time and money from volunteers and donors and have developed practices to invite that participation and respect its limits. These same approaches can be applied to the collection of digital data and its use. Respecting the rights of individuals to contribute their information, asking to use it, and being clear and honest about how it is used not only is in line with how the sector treats other resources but also readies nonprofits to meet emerging data regulations, especially those coming from the European Union.[3]

Respecting the private nature of digital data as a resource is a step in this same direction. Nonprofits that treat digital data on people as a contribution from private individuals can make decisions about data security and sharing grounded in a commitment to protect that privacy and the digital resource. Not surprisingly, given the challenges of maintaining high-grade technological security, these efforts often take the form of minimizing data collection in the first place.

Finally, the range of digital infrastructures—from fully open source to custom-made systems—mirrors the pluralistic aspirations of the nonprofit sector. Just as there is a breadth of missions, there is a breadth of systems. The sector is home to software and hardware developers and communities that build alternatives to ready-made commercial offerings. People experimenting with mesh networks, building encryption tools, and creating apps for deliberative decision making often organize themselves as nonprofits or situate themselves as part of civil society. This pluralism of structure and technological infrastructure is key to the long-term vitality of nonprofits and civil society. Consolidation of nonprofit activity on any single software or hardware system may be in the best interests of the platform provider, but it won't serve the sector well.

Aligning organizational technology with mission is the first step in building a civil society that can thrive in the digital age. Beyond the level of any single organization is the need to recognize the sector-level intersections between digital policy and civil society.[4] The laws and regulations that shape our digital systems are of critical importance for civil society to continue, because these are the very rules that today define our associational rights.

A TRANSFORMATIVE MOMENT

Much of the debate to date about aligning technology with values has been framed as choosing between open-source software or hardware and their ready-made, proprietary counterparts. Framing this as an either/or, the debate is both oversimplified and misleading. Open-source software components, which are maintained by many people and made available for use, adaptation, and reuse, sit at the core of the software that powers most Internet servers. Many commercial offerings depend on open-source components and standards. The idea of these as distinct alternatives is inaccurate.[5]

That said, many organizations are attracted to an idealized image of open source, which promises transparency and reusability, and presents an opportunity to avoid being locked in to the products, services, and long-term contracts of commercial proprietary options.

However, configuring, supporting, updating, and protecting a system built on open-source software requires a level of technological know-how that is often not available to, or affordable by, nonprofit organizations. The external ecosystem of software coders that maintains open-source tools is a critical factor, and one that is outside the sphere of influence of any single organization. An organization that depends on open-source tools is dependent on this ecosystem to keep maintaining and upgrading the tools. That ecosystem, as Sean McDonald of FrontlineSMS has noted, is fragmented and difficult, if not impossible, to corral over time.[6] For most nonprofits with limited technology budgets, the need to be able to find reliable support for their software and hardware without having dedicated expertise on staff is going to rule out depending on open-source tools.

Even more important than where your organization sits on the spectrum between open source and off the shelf is the recognition that the range of choices for digitally aligning your organization and its mission go far beyond this single choice. The true test of mission-aligned digital organizations is how well governance, software, hardware, and staff skills work in concert to further social purpose.

We find ourselves in a transformative moment. Nonprofits and associations of all kinds are now focusing attention on making correct choices about digital security, data privacy, permission, and consent practices, and trying to find ways to better align their work with their tools. This mainstreaming of ethical concern about the tech stack points to a wholesale reinvention of nonprofit organizations. It will lead to new organizational forms, reminiscent of those we know today but purpose-built to align and dedicate both digital and analog resources to achieve their mission. ∎

RESOURCES

Once you realize that you need to develop organizational practices and policies to manage digital data, where can you turn? The Responsible Data Forum is an online community dedicated to generating resources for using digital data in the social sector. And Digital Impact hosts a free online tool kit filled with templates for different organizational policies, as well as worksheets and checklists for managing your organization's data.

NOTES

1   Information in this article about Wadeye, the museum, and the digitization efforts comes from L. Ormond-Parker, M. Langton, M. S. Huebner, J. Coleman, C. Pearson, R. Slogget, R. Nordlinger, K. Smith, and K. Clarke, "When Magnets Collide: Digital Preservation and Access of At-Risk Audiovisual Archives in a Remote Aboriginal Community," Melbourne Networked Society Institute, University of Melbourne, Research Paper 1-2016, 2015.

2   Note there are alternative systems, such as mesh networks and personal cloud servers, that technologically sophisticated organizations and individuals can access. These levels are indicated in the chart on page 44 by way of choices about operators, rather than in terms of protocols and standards, in order to be relevant to the greatest number of readers.

3   The European Union General Data Protection Regulation, adopted in 2016 and taking effect in May 2018, subjects nonprofits to a broad set of data regulations.

4   Zara Rahman, "Ties That Bind: Organisational Security for Civil Society," prepared by The Engine Room for the Ford Foundation, March 2018.

5   Nadia Eghbal, "Roads and Bridges: The Unseen Labor Behind Our Digital Infrastructure," the Ford Foundation, July 14, 2016.

6   Sean McDonald, "Frontline and the Missing Middle Mile," Opensource.com, March 18, 2015.
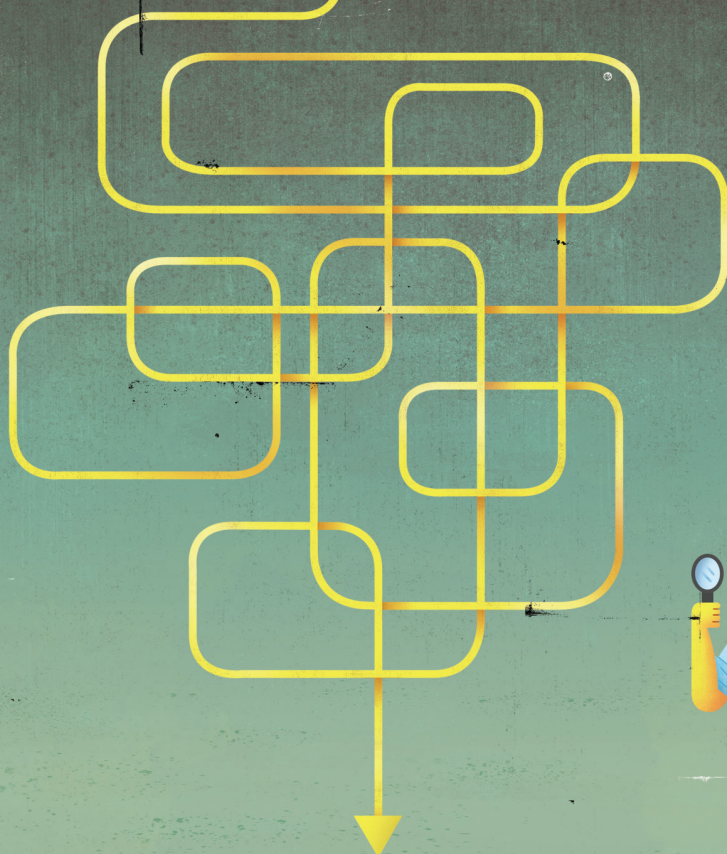
Impact evaluations are an important tool for learning about effective solutions to social problems, but they are a good investment only in the right circumstances. In the meantime, organizations must build an internal culture in which the right data are regularly collected, analyzed, and applied to manage implementation and improve programs.

Ten Reasons Not to Measure Impact—and What to Do Instead

BY MARY KAY GUGERTY & DEAN KARLAN

Illustration by Davor Pavelic

Would you rather help one child a little bit today, or wait a few years and help five children even more? Every dollar spent on current programs is a dollar used to help today's children in need—a worthy cause. Yet every dollar spent on research today, in theory, is a dollar invested in helping tomorrow's children even more. Admittedly, this trade-off is complex, imprecise, and uncertain. But the promise of research that can help us do more good per dollar spent is enticing.

Yet here's one cautionary claim we can make for certain: Every dollar spent on poorly conceived research that does not help tomorrow's children is a dollar wasted.

Good impact evaluations—those that answer policy-relevant questions with rigor—have improved development knowledge, policy, and practice. For example, the NGO Living Goods conducted a rigorous evaluation to measure the impact of its community health model based on door-to-door sales and promotions. The evidence of impact was strong: Their model generated a 27 percent reduction in child mortality. This evidence subsequently persuaded policy makers, replication partners, and major funders to support the rapid expansion of Living Goods' reach to five million people. Meanwhile, rigorous evidence continues to further validate the model and help to make it work even better.

Of course, not all rigorous research offers such quick and rosy results. Consider the many studies required to discover a successful drug and the lengthy process of seeking regulatory approval and adoption by the health-care system. The same holds true for fighting poverty: Innovations for Poverty Action (IPA), a research and policy nonprofit that promotes impact evaluations for finding solutions to global poverty, has conducted more than 650 randomized controlled trials (RCTs) since its inception in 2002. These studies have sometimes provided evidence about how best to use scarce resources (e.g., give away bed nets for free to fight malaria), as well as how to avoid wasting them (e.g., don't expand traditional microcredit). But the vast majority of studies did not paint a clear picture that led to immediate policy changes. Developing an evidence base is more like building a mosaic: Each individual piece does not make the picture, but bit by bit a picture becomes clearer and clearer.

How do these investments in evidence pay off? IPA estimated the benefits of its research by looking at its return on investment—the ratio of the benefit from the scale-up of the demonstrated large-scale successes divided by the total costs since IPA's founding. The ratio was 74x—a huge result. But this is far from a precise measure of impact, since IPA cannot establish what would have happened had IPA never existed. (Yes, IPA recognizes the irony of advocating for RCTs while being unable to subject its own operations to that standard. Yet IPA's approach is intellectually consistent: Many questions and circumstances do not call for RCTs.)

Even so, a simple thought exercise helps to demonstrate the potential payoff. IPA never works alone—all evaluations and policy engagements are conducted in partnership with academics and implementing organizations, and increasingly with governments. Moving from an idea to the research phase to policy takes multiple steps and actors, often over many years. But even if IPA deserves only 10 percent of the credit for the policy changes behind the benefits calculated above, the ratio of benefits to costs is still 7.4x. That is a solid return on investment.

Despite the demonstrated value of high-quality impact evaluations, a great deal of money and time has been wasted on poorly designed, poorly implemented, and poorly conceived impact evaluations. Perhaps some studies had too small of a sample or paid insufficient attention to establishing causality and quality data, and hence any results should be ignored; others perhaps failed to engage stakeholders appropriately, and as a consequence useful results were never put to use.

The push for more and more impact measurement can not only lead to poor studies and wasted money, but also distract and take resources from collecting data that can actually help improve the performance of an effort. To address these difficulties, we wrote a book, *The Goldilocks Challenge*, to help guide organizations in designing "right-fit" evidence strategies. The struggle to find the right fit in evidence resembles the predicament that Goldilocks faces in the classic children's fable. Goldilocks, lost in the forest, finds an empty house with a large number of options: chairs, bowls of porridge, and beds of all sizes. She tries each but finds that most do not suit her: The porridge is too hot or too cold, the bed too hard or too soft—she struggles to find options that are "just right." Like Goldilocks, the social sector has to navigate many choices and challenges to build monitoring and evaluation systems that fit their needs. Some will push for more and more data; others will not push for enough.

To create a right-fit evidence system, we need to consider not only when to measure impact, but when *not* to measure impact. Given all the benefits of impact measurement, it may seem irresponsible not to try to measure it. But there are situations in which an insistent focus on measuring impact can be counterproductive to collecting other important data.

MISPLACED PRIORITIES

How have we reached this point? If impact evaluation is so important, why are we advocating for limiting its use? The rapidly decreasing costs of data collection and analysis have certainly helped to heighten the appeal of impact measurement. Thirty years ago, frugal budgets restricted long-distance calls. Now free videoconferencing can connect people from multiple countries all at once. Previously, organizations might have argued that collecting data is too time-consuming and expensive. Today, the cost of collecting, storing, and analyzing data is much cheaper. We can process millions of data points and spit out analyses to field operators in mere minutes. And the pace of change remains rapid: Satellite imagery and a multitude of GPS monitoring devices, for example, are rapidly influencing the way programs are run and the richness of the questions that evaluators and researchers can ask. Naturally, quicker and cheaper data also makes organizations and stakeholders more willing to demand it.

At the same time, there have been more calls for accountability in the public and social sectors based on this ability to more easily

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Gugerty and Karlan are coauthors of *The Goldilocks Challenge: Right-Fit Evidence for the Social Sector* (Oxford University Press).

measure results. Major donor organizations from the Bill & Melinda Gates Foundation to the UK's Department for International Development (DFID) are requiring evidence of impact. Social impact bonds and pay-for-success programs seek to fund effective initiatives by tying financing to proven results. And proponents of effective altruism seek to persuade philanthropists to give only to programs with strong evidence of effectiveness.

The trend toward impact measurement is mostly positive, but the push to demonstrate impact has also wasted resources, compromised monitoring efforts in favor of impact evaluation, and contributed to a rise in poor and even misleading methods of demonstrating impact. For instance, many organizations collect more data than they actually have the resources to analyze, resulting in wasted time and effort that could have been spent more productively elsewhere. Other organizations collect the wrong data, tracking changes in outcomes over time but not in a way that allows them to know whether the organization *caused* the changes or they just happened to occur alongside the program.

Bad impact evaluations can also provide misleading or just plain wrong results, leading to poor future decisions. Effective programs may be overlooked and ineffective programs wrongly funded. In addition to such social costs, poor impact evaluations have important opportunity costs as well. Resources spent on a bad impact evaluation could have been devoted instead to implementation or to needed subsidies or programs.

Much of such waste in pursuit of impact comes from the overuse of the word *impact*. Impact is more than a buzzword. Impact implies causality; it tells us how a program or organization has changed the world around it. Implicitly this means that one must estimate what would have occurred in the absence of the program—what evaluators call "the counterfactual." The term sounds technocratic, but it matters a great deal in assessing how best to spend limited resources to help individuals and communities.

When feasible, the most straightforward way to create a counterfactual is through a randomized controlled trial (RCT) in which participation in a program, or in some aspect of a program, is decided partly through random allocation. Without a counterfactual, we do not know whether the program caused a change to happen or whether some outside factor—such as weather, economic growth, or other government policy—triggered the change. We can't know whether those who participated in a program changed their lives because of the program or because of other factors. A rigorous counterfactual can change conventional but misplaced beliefs: For example, recent counterfactual-based impact evaluations of microcredit programs found much lower impact on household income than was previously claimed by microcredit advocates.

Good monitoring data are often collateral damage in the pursuit of measuring impact. Information on what the staff is doing, take-up and usage of program services, and what constituents think of operations

can help create a better program and stronger organization. These data often get lost or overshadowed in the pursuit of impact evaluations. This is partly understandable: impact is the ultimate goal, and sloppy thinking often conflates management data with impact data. (Take-up of a product like microcredit, for example, is an important piece of management data but is not a measure of impact; statements such as "50,000 clients served" do not measure impact.)

The challenge for organizations is to build and use data collection strategies and systems that accurately report impact when possible, demonstrate accountability, and provide decision makers with timely and actionable operational data. The challenge for funders and other nonprofit stakeholders is to ask organizations to be accountable for developing these right-fit evidence systems and to demand impact evaluation only when the time is right.

In what follows, we offer 10 reasons for not measuring impact. We then provide a framework for right-fit monitoring and evaluation systems that help organizations stay consistently and appropriately attuned to the data needed for accountability, learning, and improvement.

THE 10 REASONS

The 10 reasons not to measure impact fall into four categories: *Not the Right Tool, Not Now, Not Feasible*, and *Not Worth It*. For each reason, we also offer alternatives that fans of impact evaluation can adopt instead.

1. Not the Right Tool: Excellent question, wrong approach.

Here are some excellent questions you may ask in evaluating a program: What is the story behind a successful or unsuccessful program recipient? Can we deliver the same services for less by improving our operating model? Are we targeting the people we said we would target? Are our constituents satisfied with the service we provide? Is there significant demand for the service we provide? Is the demand sustained—do people come back for more? Is the problem we are solving the most pressing in our context?

We could go on. These are the questions that key stakeholders often want answered. Some of these questions can be answered with data. Others are tougher to tackle. But—and this is the crucial point—their answers are not measures of impact.

Alternative: To answer these questions, data collection and analysis need to focus more precisely on the question being asked. Understanding constituent satisfaction requires feedback data. Improving the cost-effectiveness of program delivery requires detailed data on costs by site, as well as by product or service. All of this is important program monitoring data to collect, but none of it requires an impact evaluation.

2. Not Now: The program design is not ready.

Thinking through the theory of change is the first step to planning out a monitoring or evaluation strategy. A theory of change articulates what goes into a program, what gets done, and how the world is expected to change as a result. Without it, staff may hold conflicting or muddled ideas about how or why a program works, which can result in large variations in implementation.

Articulating a clear theory of change is not merely an academic exercise for retreats and donors. A theory of change guides right-fit data collection by making clear what data to track to make sure an organization is doing what it says it does, to provide feedback and engagement data to guide program learning and improvement (neither of which requires a counterfactual), and to provide guidance for key outcomes to track in an impact assessment (which does require a counterfactual to be meaningful).

An untested theory of change likely contains mistaken assumptions. For example, hypothesized connections ("theory") between program elements may not hold. Assumptions may also be wrong empirically: Program outcomes may depend on everyone finishing the training part of the program. Do they? Good management data could help demonstrate this. Similarly, programs may assume that demand exists for their services (e.g., microcredit), but a good needs assessment might show that reasonable credit alternatives exist.

Large impact evaluations undertaken before key assumptions in the theory of change undergo examination are likely to be misguided and ultimately lead to conflict over interpretation. If the program is found not to work, implementers are likely to reject the results, arguing that the program evaluation doesn't reflect current implementation.

Alternative: Validating the initial steps in the theory of change is a critical step before moving on to measuring impact. Consider a program to deliver child development, health, and nutrition information to expectant mothers in order to improve prenatal care and early childhood outcomes. Starting an impact evaluation before knowing if expectant mothers will actually attend the training and adopt the practices makes little sense. First establish that there is a basic take-up of the program and that some immediate behaviors are being adopted. Before starting an impact evaluation of a program providing savings accounts, determine whether people will actually open a savings account when offered, and that they subsequently put money into the account. If not, the savings account design should be reconsidered.

If the theory of change has not been fully developed, then the obvious step is to develop the theory for the program, following the implementation step by step, examining the assumptions being made, and gathering data to test them. Then gather monitoring data on implementation and uptake before proceeding to an impact evaluation. Is the program reaching the people it targets? Are those individuals using the product or service? For how long and how intensively do they use the product or service? Based on this information, how can the program be improved?

When the program is still being adapted and implementation kinks worked out, it is probably too early to evaluate the program's impact. This is a tricky situation. We could craft some general principles for determining when a program is "ready" for evaluation, such as "Basic levels of demand are observed for the program," or "Constituents provide positive feedback." The challenge is then applying these principles to specific situations. Here reasonable people will no doubt disagree, and these principles cannot clearly resolve what to do for any given situation. The most sensible solution is to wait and let the program work out the implementation kinks. If women are not coming to the training or teachers are not following a new curriculum, wait, watch, try new tactics or incentives; and in the meantime, collect good monitoring data that informs progress.

3. Not Now: The program implementation is not ready.

Even if a program's theory has been fully defined and basic assumptions tested, implementation may falter. An evaluation that finds no

impact for a project with weak implementation is hard to interpret. Is the finding the result of poor implementation, the wrong partner, or outside circumstances (e.g., civil unrest or other disturbances)? Either way, when implementation is weak, impact evaluation is a bad choice.

To return to our previous example, a prenatal training program may have determined that mothers demand these services and will show up and complete the training in an "ideal" setting where the program was tested. But what if during program rollout the trainings are not implemented as planned? What if not all mothers complete the training? Basic implementation information is needed before moving to impact evaluation, so that stakeholders are satisfied that the program as designed is (roughly) the same as the program that is implemented. Otherwise, evaluation resources are wasted.

Alternative: Collect good monitoring data and use it to strengthen implementation. Evaluators can either work with program leadership to improve implementation or decide that a certain organization is not a good fit for an impact evaluation.

But what if the real world takes over and politics (or funding) mean you must evaluate now or never? If the program is still not ready, consider again carefully whether impact evaluation is the right step. Will the evaluation help answer theory-based questions under real-world implementation conditions? Will an evaluation now make an innovative or controversial program more likely to be accepted by constituents? Are the technical issues discussed below addressed, and can you construct a reliable comparison group? If you answer no to any of these questions, impact evaluation isn't the right step. But if you answer yes to all, an evaluation of a program that isn't quite ready can still inform important and timely policy-relevant decisions, especially if the evaluators work closely with the policy makers throughout the evaluation process.

4. Not Now: It is too late.

The desire for impact measurement often comes after a program has already expanded and has no plans for further expansion. In these cases, it may be too late. Once a program has begun implementation, it is too late randomly to assign individuals or households or communities to treatment and control. Creating a non-randomized comparison group may be viable but is often hard to do and quite expensive. And the true comparability of this group may still be in question, thus rendering the evaluation less convincing.

Alternative: Plan for future expansions. Will the program be scaled up elsewhere? If so, read on to understand whether measuring impact is feasible. If the program has changed significantly as a result of organizational learning and improvement, timing may be perfect to then assess impact.

5. Not Feasible: Resources are too limited.

Resource limitations can doom the potential for impact evaluation in two ways: The program scale may be too small, or resources may be too scarce to engage in high-quality measurement.

If a program is small, there simply will not be enough data to detect impact unless the impact is massive. Without sounding too sour, few initiatives have truly massive impact. And an impact evaluation with an ambiguous conclusion is worse than doing nothing at all. A lot of money is spent to learn absolutely nothing—money that could have been spent to help more people.

Similarly, if there is not enough money to do a good evaluation, consider not doing it at all. You may be forced to have too small a sample, cut too many corners on what you are measuring, or risk poor implementation of evaluation protocols.

Alternative: If your scale is limited, do not try to force an answer to the impact question. Consider other options. First, perhaps much is already known about the question at hand. What do other evaluations say about it? How applicable is the context under which those studies were done, and how similar is the intervention? Study the literature to see if there is anything that suggests your approach might be effective. If no other evaluations provide helpful insights, track implementation, get regular feedback, and collect other management data that you can use instead.

If money is limited, consider what is driving the cost of your evaluation. Data (especially household surveys) are a key cost driver for an evaluation. The randomization part of a randomized trial is virtually costless. Can you answer key impact questions with cheaper data, perhaps with administrative data? For example, if testing the impact of a savings program, no doubt many will want to know the impact on health and education spending, agricultural and enterprise investment, consumption of temptation goods, and so forth. But in many cases, just seeing increased savings in regulated financial institutions indicates some success.

If that alternative is not viable or satisfactory, then focus on tracking implementation and collecting other management data that you can put to use. Alternatively, of course, you can raise more money. If the knowledge gap on your issue is big enough—you have a widely implemented program that hasn't been tested, for example, or you're trying a new approach in a conflict setting—then funders may be interested in knowing the answer, too.

6. Not Feasible: Indirect effects are difficult to identify, yet critical to the theory of change.

Many programs include indirect effects that are critical to their theory of change. A farming-information intervention, for example, teaches some farmers new techniques and hopes that they share this information with their neighbors and extended family. A health intervention protects individuals from an infectious disease and anticipates that those who come into contact with the treated individuals are also helped, because they will also not contract the disease.

In these cases, a simple question ought to be asked: Does one reasonably believe (and ideally have some evidence from elsewhere) that the indirect effects are significant enough that ignoring them may radically alter the policy implication of the results? If so, then ignoring them could lead to a deeply flawed study—one that should not be done at all.

Measuring such indirect effects correctly is critical to understanding a program's true impact. Take the example of deworming school children. Prior to Edward Miguel and Michael Kremer's 2004 study of deworming in *Econometrica*, studies that tested the impact of school-based deworming typically randomized within schools, with some children receiving deworming pills and others not. Program effects were evaluated by comparing children who received treatment with those who did not. Yet there was good reason to believe that there were indirect effects across children within the same schools—children playing barefoot in the same schoolyard pass infection from one

to the other. So within any given school, the control group also got partially treated. Imagine that this indirect effect is big—so big that it is the same size as the direct effect. Even if treatment had huge effects on health or schooling outcomes, comparing treated and untreated children would lead to the conclusion that deworming has no effect at all. Miguel and Kremer's deworming study explicitly measured these indirect effects. Doing so fundamentally changed the cost-benefit calculation of deworming: With indirect effects included, the benefits of deworming turned out to be quite large.

Alternative: Measuring indirect effects can be a feature of a good impact evaluation, rather than an obstacle. Of course, if indirect effects are ignored, then the presence of such issues can introduce bias, and thus incorrect conclusions.

In considering the response to indirect effects, a first tack is to review existing studies and theory to predict how important these issues are. If they are significant, and therefore important to measure, then there are two potential approaches to take: First, indirect effects can be included in the experimental design—for example, by creating two control groups: one that is exposed indirectly to treatment and the other that is not. Second, data can be collected on indirect effects. Ask participants who they talk to, and measure social networks so that the path of indirect effects can be estimated. If indirect effects can't be accurately estimated, however, and they are likely to be large, then impact evaluation is not a good choice. Resources will be wasted if true impact is masked by indirect effects.

7. **Not Feasible: Program setting is too chaotic.**
Some situations are not amenable to impact evaluation. Many disaster-relief situations, for example, would be difficult, if not impossible, to evaluate, since implementation is constantly shifting to adapt to evolving circumstances. Maintaining strict experimental protocols could be costly, compromising the quality of the implementation. Even if not costly in theory, such protocols are unlikely to be adhered to in a rapidly changing environment and could prevent assistance from going to those who need it most.

Alternative: Track implementation activities and collect other management data that you can use to strengthen the program. Consider also whether there are operational questions that could generate useful learning. Operational (sometimes called rapid-cycle or rapid-fire or A/B) experiments can help improve implementation: Will sending a text message to remind someone to do something influence short-run behavior? How frequently should that text message be sent, at what time of day, and what exactly should it say? Is transferring funds via cash or mobile money more effective for getting money to those affected? How will lump-sum versus spread-out transfers influence short-run investment choices? Such short-run operational questions may be amenable to evaluation.

8. **Not Feasible: Implementation happens at too high a level.**
Consider monetary or trade policy. Such reforms typically occur for an entire country. Randomizing policy at the country level would be infeasible and ridiculous. Policies implemented at lower levels—say counties or cities—might work for randomization if there are a sufficient number of cities and spillover effects are not a big issue. Similarly, advocacy campaigns are often targeted at a high level (countries, provinces, or regions) and may not be easily amenable to impact evaluation.

Alternative: A clear theory of intended policy change is critical. Then track implementation, feedback, and management data on whether the changes implied by theory are occurring as expected.

9. **Not Worth It: We already know the answer.**
In some cases, the answer about whether a program works might already be known from another study, or set of studies. In that case, little will be learned from another impact evaluation. But sometimes donors or boards push for this unnecessary work to check their investments. And organizations may not be sure if the existing evidence is sufficient, leading them to invest in unnecessary impact evaluations "just to be sure."

Alternative: Resist demands for impact measurement and find good arguments for why available evidence applies to your work. In "The Generalizability Puzzle," their Summer 2017 article for *Stanford Social Innovation Review*, Mary Ann Bates and Rachel Glennerster provide some guidance. In short, two main conditions are key to assessing the applicability of existing studies. First, the theory behind the evaluated program must be similar to your program—in other words, the program relies on the same individual, biological, or social mechanism. Second, the contextual features that matter for the program should be relatively clear and similar to the context of your work.

We also suggest that donors consider the more critical issue for scaling up effective solutions: implementation. Use monitoring tools to ask: Does the implementation follow what is known about the program model? Again, track the activities and feedback to know whether the implementation adheres to the evidence from elsewhere. A good example of this is the Catch Up program in Zambia, where the Ministry of General Education is scaling up the proven Teaching at the Right Level (TaRL) approach pioneered by the Indian NGO Pratham. With support from IPA and the Abdul Latif Jameel Poverty Action Lab (J-PAL), teams in Zambia are taking the TaRL program, mapping evidence to the Zambian context, supporting pilot implementation, and monitoring and assessing viability for scale-up.

10. **Not Worth It: No generalized knowledge gain.**
An impact evaluation should help determine *why* something works, not merely *whether* it works. Impact evaluations should not be undertaken if they will provide no generalizable knowledge on the "why" question—that is, if they are useful only to the implementing organization and only for that given implementation. This rule applies to programs with little possibility of scale, perhaps because the beneficiaries of a particular program are highly specialized or unusual, or because the program is rare and unlikely to be replicated or scaled. If evaluations have only a one-shot use, they are almost always not worth the cost.

Alternative: If a program is unlikely to run again or has little potential for scale-up or replication, the best course of action is to measure implementation to make sure the program is running as intended. If some idea about the "why" is needed, a clear program theory and good implementation data (including data on early outcomes) can also help shed light on why something works. But an investment in measuring impact in this situation is misplaced.

COLLECTING THE RIGHT DATA
As should now be clear, the allure of measuring impact distracts from the more prosaic but crucial tasks of monitoring implementation and improving programs. Even the best idea will not have an impact

if implemented poorly. And impact evaluation should not proceed without solid data on implementation. Too often, monitoring data are undervalued because they lack connection to critical organizational decisions and thus do not help organizations learn and iterate. When data are collected and then not used internally, monitoring is wasted overhead that doesn't contribute to organizational goals.

External demands for impact undervalue information on implementation because such data often remain unconnected to a theory of change showing how programs create impact. Without that connection, donors and boards overlook the usefulness of implementation data. Right-fit systems generate data that show progress toward impact for donors and provide decision makers with actionable information for improvement. These systems are just as important as proving impact.

How can organizations develop such right-fit monitoring systems? In *The Goldilocks Challenge*, we develop what we call the CART principles—four rules to help organizations seeking to build these systems. CART stands for data that are Credible, Actionable, Responsible, and Transportable.

Credible: Collect high-quality data and analyze them accurately.
Credible data are valid, reliable, and appropriately analyzed. Valid data accurately capture the core concept that one is seeking to measure. While this may sound obvious, collecting valid data can be tricky.

Seemingly straightforward concepts such as schooling or medical care may be measured in quite different ways in different settings. Consider trying to measure health-seeking behavior: Should people be asked about visits to the doctor? A nurse? A traditional healer? How the question is framed affects the answer you get.

Credible data are also reliable. Reliability requires consistency; the data collection procedure should capture data in a consistent way. An unreliable scale produces a different weight every time one steps on it; a reliable one does not.

The final component of the *credible* principle is appropriate analysis. Credible data analysis requires understanding when to measure impact—and, just as important, when not to measure it. Even high-quality data to measure impact without a counterfactual can produce incorrect estimates of impact.

Actionable: Collect data you can commit to use.
Even the most credible data are useless if they end up sitting on a shelf or in a data file, never to be used to help improve programming. The pressure to appear "data-driven" often leads organizations to collect more data than anyone can be reasonably expected to use. In theory, more information seems better, but in reality, when organizations collect more data than they can possibly use, they struggle to identify the information that will actually help them make decisions.

The actionable principle aims to solve this problem by calling on organizations to collect only data they will use. Organizations should ask three questions of every piece of data that they want to collect: (1) Is there a specific action that we will take based on the findings? (2) Do we have the resources necessary to implement that action? (3) Do we have the commitment required to take that action?

Responsible: Ensure that the benefits of data collection outweigh the costs.
The increasing ease of data collection can lull organizations into a "more is better" mentality. Weighing the full costs of data collection against the benefits avoids this trap. Cost includes the obvious direct costs of data collection but also includes the opportunity costs, since any money and time spent collecting data could have been used elsewhere. This foregone "opportunity" is a real cost. Costs to respondents—those providing the data—are significant but often overlooked. Responsible data collection also requires minimizing risks to these constituents through transparent processes, protection of individuals' sensitive information, and proper research protocols.

While collecting data has real costs, the benefits must also be considered. We incur a large social cost by collecting too little data. A lack of data about program implementation could hide flaws that are weakening a program. And without the ability to identify a problem in the first place, it cannot be fixed. Too little data can also lead to inefficient programs persisting, and thus money wasted. And too little data can also mean that donors do not know whether their money is being used effectively. That money could be spent on programs with a greater commitment to learning and improvement, or those with demonstrated impact.

Transportable: Collect data that generate knowledge for other programs.
Valuable lessons generated from monitoring and evaluations should help build more effective programs. To be transportable, monitoring and evaluation data should be placed in a generalizable context or theory—they should address the question of why something works. Such theories need not always be complex, but they should be detailed enough to guide data collection and identify the conditions under which the results are likely to hold. Clarifying the theory underlying the program is also critical to understanding whether and when to measure impact, as we have argued.

Transportability also requires transparency—organizations must be willing to share their findings. Monitoring and evaluation data based on a clear theory and made available to others support another key element of transportability: replication. Clear theory and monitoring data provide critical information about what should be replicated. Undertaking a program in another context provides powerful policy information about when and where a given intervention will work. A lack of transparency has real social costs. Without transparency, other organizations cannot identify the lessons for their own programs.

CREATING A RIGHT-FIT SYSTEM
CART provides organizations with a set of principles to guide them in deciding which credible data are most critical to collect. But organizations need to do more than simply collect the right data. They need to integrate the data fully into what they do. They need to develop right-fit evidence systems.

Creating such systems should be a priority for all organizations. First, many organizations will be better served by improving their systems for monitoring and managing performance, rather than focusing on measuring impact. Right-fit evidence systems provide credible and actionable data that are far more valuable than the results of a poorly run impact evaluation. Second, society is better served when organizations develop right-fit evidence systems. High-quality management data help organizations learn and improve. Transparent data that are connected to theory help build our generalized knowledge of what

works—and in what settings. Good programs can be replicated, poor ones retired. Impact evaluations are undertaken only when the conditions are right—avoiding waste and maximizing scarce resources.

The first step in moving toward right-fit evidence happens at the organizational level. To support program learning and improvement, evidence must be actionable—that is, it must be incorporated into organizational decision-making processes. An actionable system of data management does three things: collect the right data, report the data in useful formats in a timely fashion, and create organizational capacity and commitment to using data.

Organizations should collect five types of monitoring data. Two of these—*financial* and *activity (implementation) tracking*—are already collected by many organizations to help them demonstrate accountability by tracking program implementation and its costs. The other three—*targeting*, *engagement*, and *feedback*—are less commonly collected but are critical for program improvement.

The key to right-sized monitoring data is finding a balance between external accountability requirements and internal management needs. Consider *financial* data first. External accountability requirements often focus on revenues and expenses at the administrative and programmatic levels. To move beyond accountability to learning, organizations need to connect cost and revenue data directly to ongoing operations. This way they can assess the relative costs of services across programs and program sites.

Many organizations also collect monitoring data about *program implementation*, including outputs delivered (e.g., trainings completed). But such data are not clearly connected to a decision-making system based on a clear theory for the program. A clear and detailed theory of change supports organizations in pinpointing the key outputs of each program activity so that they can develop credible measures for them.

Targeting data answer the question: Who is actually participating in the program? They help organizations understand if they are reaching their target populations and identify changes (to outreach efforts or program design, for example) that can be undertaken if they are not. To be useful, targeting data must be collected and reviewed regularly, so that corrective changes can be made in a timely manner.

Engagement data answer the question: Beyond showing up, are people using the program? Once organizations have collected activity tracking data and feel confident that a program is being well delivered, the next step is to understand whether the program works as intended from the participant perspective. Engagement data provide important information on program quality. How did participants interact with the product or service? How passionate were they? Did they take advantage of all the benefits they were offered?

Feedback data answer the question: What do people have to say about your program? Feedback data give information about its strengths and weaknesses from participants' perspectives. When engagement data reveal low participation, feedback data can provide information on why. Low engagement may signal that more feedback is needed from intended beneficiaries in order to improve program delivery.

EMPOWERING DATA

Another fundamental challenge to creating an actionable data system is empowering decision makers to use the data to make deci-

sions. Empowerment requires capacity and commitment. Building organizational commitment requires sharing data internally, holding staff members responsible for reporting on data, and creating a culture of learning and inquiry.

To do this, organizations first need the capacity to share the data they collect. This does not require big investments in technology. It can be as simple as a chalkboard or as fancy as a computerized data dashboard, but the goal should be to find the simplest possible system that allows everyone access to the data in a timely fashion.

Next, the organization needs a procedure for reviewing data that can be integrated into program operations and organizational routines. Again, this need not be complex. Data can be presented and discussed at a weekly or monthly staff meeting. The important thing is that data are reviewed on a regular basis in a venue that involves both program managers and staff.

But just holding meetings will not be enough to create organizational commitment and build capacity if accountability and learning are not built into the process. Program staff should be responsible for reporting the data, sharing what is working well, and developing strategies to improve performance when things are not. Managers can demonstrate organizational commitment by engaging in meetings and listening to program staff. Accountability efforts should focus on the ability of staff to understand, explain, and develop responses to data—in other words, focus on learning and improvement, not on punishment.

The final element of an actionable system is consistent follow-up. Organizations must return to the data and actually use it to inform program decisions. Without consistent follow-up, staff will quickly learn that data collection doesn't really matter and will stop investing in the credibility of the data.

To simplify the task of improving data collection and analysis, we offer a three-question test that an organization can apply to all monitoring data it collects:

■ Can and will the (cost-effectively collected) data help manage the day-to-day operations or design decisions for your program?
■ Are the data useful for accountability, to verify that the organization is doing what it said it would do?
■ Will your organization commit to using the data and make investments in organizational structures necessary to do so?

If you cannot answer yes to at least one of these questions, then you probably should not be collecting the data.

Maybe this seemingly new turn away from impact evaluation is all a part of our plan to make rigorous evaluations even more useful to decision makers at the right time. When organizations or programs aren't ready for an impact evaluation, they still need good data to make decisions or improve the implementation of their model. And when a randomized evaluation (or six) shows that something works and it is ready for scale, a good monitoring system based on a sound theory of change is the critical link to ensuring quality implementation of the program as it scales.

In the interim, our plan is to shift the focus to evidence strategies that build learning and improvement. If this stratagem ultimately leads to more effective impact evaluations, so much the better. ■

➔ Increasing numbers of Americans want charitable organizations to step into the public policy arena and lead the causes they care about. If philanthropists are going to help make that happen, they will need to work through five fundamental questions.

➔ *Young people from Parkland, Florida, and other cities onstage at the March for Our Lives protest in Washington, D.C., on March 24, 2018.*

When Philanthropy Meets Advocacy

BY PATRICK GUERRIERO &
SUSAN WOLF DITKOFF

As the United States moves deeper into the 21st century, our democracy's most fundamental principles are under challenge. Headlines proclaim the widening divide between Republicans and Democrats over immigration, the environment, race, and other critical issues. The gap has more than doubled since the Pew Research Center began tracking political values in 1994.[1] Congressional gridlock has increased exponentially over the past 60 years,[2] draining our elected leaders' capacity to solve the nation's biggest challenges. Even as the stock market climbed to record levels through 2017, the odds that children will earn more than their parents—the essence of the American Dream—have declined steadily since 1940.[3]

A handful of bold philanthropists—on the left and the right—are stepping into the breach, with outsized investments to influence civil and political society. eBay Inc.'s founder, Pierre Omidyar, pledged $100 million to address the root causes of global mistrust. Charles and David Koch are spending $400 million to influence politics and public policy.

Leaders like Ford Foundation President Darren Walker have urged peers to summon the moral courage to confront social and racial injustice.[4] Mark Zuckerberg and Priscilla Chan ensured a robust policy platform for their Chan Zuckerberg Initiative by hiring David Plouffe, former President Barack Obama's 2008 campaign chairman, and Ken Mehlman, former President George W. Bush's 2004 campaign manager.

Nevertheless, politically active philanthropists remain the exception, not the rule. Many we meet with still wish to stay above the political fray, even on issues they care about passionately. To them, the nation's tectonic shifts feel enormously threatening. Many still stick to scripts from a bygone time. "We don't do advocacy" is a common refrain. "The family members on our board don't want us to 'get political.'" Or, "We're worried about our issues, but we're also afraid of losing our charitable status if we engage politically."

Photograph by Kevin Mazur/Getty Images

Their fears are real. Think of how opponents aim withering fire at the Koch brothers or George Soros. But the good news is that philanthropists can avoid brutal political combat and still engage the public and policy makers. There are powerful, safe avenues to advance critical policy issues such as providing justice for sexual assault survivors, ensuring that all Americans have access to green space, and combating the mass incarceration of African-American men. Many (though not all) of these issues can be tackled in a bipartisan or nonpartisan approach.

Indeed, Americans increasingly look to the nonprofit sector to help put the country on a path to progress. A 2016 Independent Sector poll found that 78 percent of voters "support a bigger role for the charitable sector in working with the federal government to produce more effective and efficient solutions to problems."[5] The survey also found that 70 percent of voters are more likely to back a presidential candidate who supports the charitable sector's involvement in government policy making.

To be sure, philanthropy has a long and honored history of advocating for social causes that span the political spectrum. Bridgespan Group research reveals that philanthropic "big bet" grants of $10 million or more figured in a majority of social movement success stories. In one study of 14 historic social movements—including conservatism's rejuvenation during the 1970s and 1980s and the rise of LGBT rights over the past decade—more than 70 percent received at least one pivotal big bet.[6]

In another Bridgespan study of 15 successful, breakthrough initiatives—such as ending apartheid in South Africa and improving working conditions and wages for US migrant farmworkers—80 percent of those philanthropic efforts required changes to government funding, policies, and actions, rather than a plucky entrepreneur or single donor going it alone.[7] However, the data suggest that philanthropists can do far more.

In 2014, the most recent year for which data are available, US foundation grants for policy and advocacy totaled just $2.6 billion, slightly more than 4 percent of $60.2 billion in total giving. Those data roughly correlate with Bridgespan's research. Of the 10 most prevalent ways to bet big on spurring social change, "wage an advocacy campaign" accounted for just 4 percent of more than 900 gifts (collectively valued at $22.7 billion) from US donors.[8]

There is little doubt that many want to do more: A Center for Effective Philanthropy survey found that more than 40 percent of US foundation CEOs say they intend to increase their emphasis on advocacy and public policy at the state and local levels.[9] Additionally, 50 percent of foundation leaders see opportunities resulting from Donald Trump's election as president. These CEOs most frequently cite "increased engagement and activism" as the biggest opening of all.

Philanthropists have a responsibility not only to protect their reputation, but also to achieve their mission. Too often, concern with preserving the former can kill the will to advance the latter. Despite an understandable reluctance to step anywhere near today's pernicious political landscape, philanthropy has a once-in-a-generation opportunity to engage powerfully in more—*not less*—advocacy.

FIVE QUESTIONS FOR PHILANTHROPISTS

If philanthropists are going to step up their advocacy work, what is the best way for them to proceed? For nearly 20 years, Bridgespan

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has counseled scores of the world's most generous and ambitious philanthropists. Similarly, the bipartisan Civitas Public Affairs Group, which works at the intersection of philanthropy, politics, and policy, has for many years advised some of the country's most successful nonprofits and visionary donors on how to build and execute advocacy campaigns.

We are struck by the dramatic uptick in interest from philanthropists who are feeling the pressing need to support advocacy efforts but are also unsure of how to take the next step. Our work, as well as our conversations with leaders of every political stripe, has persuaded us that if philanthropists are to advance the issues they care about, they will have to honestly reckon with five critical questions:

- Do you know the rules of engagement?
- Who is your opposition?
- Have you converted strategy to an opportunity map?
- Are your messages aimed at winning new allies or just making your base feel good?
- Are you using new technologies to educate and advocate?

In the rest of this article, we'll examine each of the five questions in detail and explore how funders and nonprofits have used them to effectively mobilize campaigns.

QUESTION 1: DO YOU KNOW THE RULES OF ENGAGEMENT?
The US Internal Revenue Code gives institutional philanthropy significant latitude to have a point of view on policy outcomes. Federal law allows nonprofit organizations to participate in a mix of direct lobbying, grassroots mobilization, policy development and implementation, voter registration and get-out-the-vote efforts, and candidate forums. Many nonprofit organizations, however, are unaware of (or fail to utilize) their legal capacity to directly interact with the leaders of federal agencies, governors, and mayors, who have the power to work on their behalf.

Philanthropy's blind spot for what's possible in policy making surprises veteran attorneys such as Joe Birkenstock, a partner in the Washington, D.C., law firm Sandler Reiff Lamb Rosenstein & Birkenstock, P.C., which advises entities at the intersection of philanthropy and politics. "I'm stunned that people don't know the new rules of engagement. Many people who have done philanthropic work for decades are not fully utilizing the tools that their opponents are."

The Internal Revenue Code prohibits public charities from engaging directly in campaigns on behalf of candidates for public office. But that prohibition recently has been targeted for substantial amendment or even outright repeal. Even if that restriction remains unchanged, there are no such constraints on cause-related advocacy. (See "Advocacy Activities That 501(c)(3) Organizations Can Engage In," on page 52.)

That's why 501(c)(3) nonprofits across the political spectrum have made it a point to become conversant with the tax code and the full range of available tools to advocate for issues that matter and shape public policy. Case in point: Even as more and more women have shared their stories of sexual harassment to the hashtag #MeToo, the Joyful Heart Foundation has taken up the challenge of helping sexual assault survivors heal. Seizing on the unacceptable reality that hundreds of thousands of sexual-assault evidence kits, otherwise known as "rape kits," remain untested in crime labs across the country, Joyful Heart unleashed a nationwide advocacy effort to end the backlog. The grassroots-funded nonprofit, founded in 2004 by actress Mariska Hargitay, has pushed for the introduction of rape-kit reform bills in 34 states; 19 states have thus far signed them into law. Other examples from both ends of the political spectrum:

- The Urban Institute and the American Enterprise Institute conduct research to surface new insights and influence policy debates.
- The Liberty Hill Foundation and the Campaign for Tobacco-Free Kids build and mobilize constituencies to advocate for legislation that advances their missions.
- The Center for Individual Rights and the Anti-Defamation League pursue policy changes though legal advocacy and litigation.

It behooves leaders of foundations to recognize that grantees have leeway to influence legislation and public opinion. Public charities that push into the policy arena can protect their tax-exempt sta-

Even if donors and grantees decide to stay above the fray, it's almost guaranteed that their opponents won't.

tus by employing the "H Election"—otherwise known as Section 501(h) of the Internal Revenue Code—which protects the rights of charitable organizations to lobby, so long as they don't exceed specific dollar limits.

Charitable organizations can also create companion 501(c)(4) entities that seek to shape legislation and, through limited participation in electoral politics, hold lawmakers accountable for their policy decisions. A key stipulation: The organization's lobbying efforts must align with its mission. For example, the American Legislative Exchange Council (ALEC), a 501(c)(3) that's composed of conservative legislators and corporate leaders, created ALEC Action. This 501(c)(4) "advocacy partner" works to shape state-based legislation that promotes free-market policies and less government oversight.

Through ALEC Action, ALEC's conservative and libertarian funders are leaning into their mission and advocating for legislation that aligns with their beliefs. ALEC Action has pushed federal lawmakers from West Virginia to North Dakota to repeal the Affordable Care Act and return health-care decision-making power to their states. ALEC's advocacy efforts at the state level go far and deep: Through its website, social media, and broadcast and print news outlets, the organization's messaging reached 35 million Americans in 2016.

Unfortunately, we've seen large foundations actually discourage grantees from getting anywhere near the nexus of advocacy and policy work, when they could be providing grantees with general operating support and legal resources to increase activity—all while staying on the safe side of the line. Foundations could even ask grantees to document how they're using the tools at their disposal to make positive change. They could analyze (internally or with external help) the ways they themselves can fund or execute on issue advocacy legally, and with high impact. Every donor and board member could consider asking for regular updates on whether the entities they support and advise have maxed out on their ability to do advocacy work.

"People should recognize the need to do things differently if they want to get different results," Birkenstock argues. "There's never been a better time to challenge the assumptions baked into the 'but this is how we've always done it' approach."

QUESTION 2: WHO IS YOUR OPPOSITION?

If you don't think that your selfless, public-spirited cause has opponents, think again. Newton's third law of motion—for every action, there is an equal and opposite reaction—applies as much to the physics of philanthropic advocacy as it does to the properties of matter and energy. Ignoring the fundamental fact that "forces always come in pairs," few organizations expend enough time exploring how their endeavors might spark opposing efforts. Nor do they marshal sufficient resources to counteract the inevitable pushback.

At first glance, the national nonprofit Autism Speaks had every reason to believe that a bill it was supporting in North Carolina would win approval in the state's General Assembly. After all, it aimed to require certain health plans to cover an effective treatment for helping kids with autism, called applied behavior analysis (ABA). Conventional wisdom held that few elected officials would turn their backs on autistic kids. In fact, the proposed legislation seemed to have broad bipartisan support. In both the 2013 and 2014 sessions, North Carolina's House passed bills that included ABA coverage. But each time, the legislation failed to gain traction in the state Senate.

"Something just didn't add up," recalls Liz Feld, formerly the president of Autism Speaks, who brought years of advocacy and political experience to her role. "North Carolina had always been a leader in autism research, so it was hard to believe the legislature would not help these families."

Feld and her colleagues knew the insurance industry generally opposed comprehensive legislation requiring them to cover treatment for autism: "We had been battling with insurance companies all over the country, so we were used to corporate firepower pushing back on our legislation." But when the organization dug deep into publicly available lobbying disclosure reports, it discovered that in 2014, Blue Cross Blue Shield of North Carolina had spent more than $485,000 on lobbying the state government. Even without knowing what portion of that amount went specifically to lobbying on autism, the magnitude of the spending signaled to Autism Speaks that insurers had leverage with North Carolina lawmakers.

To be sure, Blue Cross Blue Shield of North Carolina has done much to improve the health of the state's citizens. This year alone, the company is investing millions to fight opioids and support other health initiatives across the state. But even good corporate citizens, with their own reasons, will sometimes oppose a worthy social goal.

Having confirmed that large insurance companies were likely responsible for helping to stall autism legislation, Autism Speaks could then mount a two-pronged counteroffensive. To win over elected officials, the organization commissioned a statewide poll, which found that 82 percent of North Carolina voters supported autism insurance reform. The organization then developed a messaging campaign highlighting fiscally conservative reasons for the Republican-controlled legislature to support the bill.

At the same time, Autism Speaks launched an ad campaign that directly took on "Big Insurance" in North Carolina. The data-rich ads countered insurers' two main arguments: that they were already adequately covering autism, and that expanded coverage would burden small businesses. The result: progress. After a series of negotiations between activist organizations including Autism Speaks, insurers, and state legislators, Blue Cross Blue Shield of North Carolina dropped its opposition and helped shape an autism reform bill that included coverage for ABA, which the General Assembly approved. Although many factors contributed to the turnaround—not least of which was the autism community's grassroots work to build support for the bill—Autism Speaks' concerted effort to identify, target, and ultimately work with the opposition played a pivotal role.

"We had been working to get amazing families, from hundreds of miles away, to the State House to advocate for an end to discrimination for people with autism," says Feld. "But we didn't really level the playing field and have a chance to win until we did opposition research."

QUESTION 3: HAVE YOU CONVERTED STRATEGY TO AN OPPORTUNITY MAP?

It's hard to imagine a charitable organization that doesn't regularly strategize on how it will direct resources and prioritize programming. And yet, few organizations do real-time advocacy opportunity mapping, the bedrock of building short- and long-term advocacy efforts.

Policy change does not occur in a vacuum, nor can any single leader, donor, or organization go it alone; understanding and anticipating the dozens of moving parts in any attempt to advance social change is essential to planning and executing a winning campaign. Mapping a campaign's features and fissures gives a nonprofit's leaders, donors, and board members a clearer understanding of the logic behind certain investments and why particular regions or states should be prioritized over others. It also injects a campaign-like mentality—as well as urgency and accountability—into the day-to-day grind of working toward a lofty goal.

Advocacy Activities That 501(c)(3) Organizations Can Engage In

ACTIVITY	DESCRIPTION	EXAMPLE ORGANIZATIONS
Conduct research	Shape the debate by surfacing new insights via nonpartisan, independent, and objective research.	■ Urban Institute ■ American Enterprise Institute
Develop model policy and administrative rules	Translate academic and policy research into general proposals such as model legislation or administrative rules that states may develop further.	■ American Legislative Exchange Council
Litigate	Pursue policy changes and influence administrative practices through litigation.	■ Center for Individual Rights ■ Anti-Defamation League
Build coalitions	Coordinate an alliance of stakeholders to support a shared position or engage in a joint activity.	■ END Fund ■ National Council of Nonprofits
Develop regulations	Ensure that legislation is backed by effective regulations and that regulations are enforced.	■ Earthjustice ■ Natural Resources Defense Council
Engage in electoral politics	Engage in and support nonpartisan electoral activities.	■ The Western States Center's VOTE project
Lobby	Lobby policy makers to support specific legislative proposals.*	■ Alzheimer's Association
Mobilize the base	Attract and maintain a constituent base, and mobilize constituencies to advocate for specific legislation and policies.*	■ Liberty Hill Foundation ■ Campaign for Tobacco-Free Kids

* These activities are based on the assumption that organizations have made an election under IRC 501(h).
NOTE: Legal counsel should always be consulted when engaging in any advocacy activity.

In many ways, advocacy is rooted in cartography. Protagonists delineate the advocacy effort's topography, trace the links between key players, identify opportunities, and plot potential pathways to achieving the desired change. Of course, mapping can also be applied to physical geographies, such as a state or a region. When they bring such a map to life, practitioners draw out critical information, such as a state's political makeup, pending litigation, pertinent legislation and laws, opposition forces, and allies and coalitions—the elements of a cogent strategy.

Such was the case with the Trust for Public Land (TPL) when it took on the challenge of ensuring that there's a park within a 10-minute walk of every person, in every city and town across America. As TPL began to conceive its "10-minute walk" campaign, one of its first initiatives was to map park access across the entire country. Through this mapping and other research, TPL determined that more than 100 million Americans lack nearby access to public green space, which is vital to a community's environmental health and well-being.

TPL also created an opportunity map of existing stakeholders, natural constituencies, and potential allies. Through its analysis of the campaign's landscape, TPL identified mission-aligned organizations, such as the National Recreation and Park Association and the Urban Land Institute, that could help build a platform for coordinated action.

The map also revealed an opportunity to more deeply engage with an under-targeted but critical group—the nation's mayors—through avenues such as the US Conference of Mayors. By identifying and enlisting a core group of mayors to anchor the campaign, TPL reasoned that it could build momentum and convert more mayors in additional target cities. So it was that in October 2017, when TPL and its partner organizations launched their parks advocacy campaign, they had already enlisted a bipartisan group of 134 mayors

in cities spanning the country, from deep-red Cody, Wyoming, to bright-blue Burlington, Vermont.

An opportunity map synthesizes key information in a clear and concise format and plots out pathways for fulfilling advocacy goals. For example, if the ultimate goal is to pass legislation, a map can illustrate the fact that before a strategy can be implemented, the organization first needs to change people's minds and build a more potent base of support. A landscape analysis can also help strategists determine whether a smart first step would be to target a specific city or neighborhood, or reveal something as simple as whether there are enough votes to carve out a path to victory.

In addition to mapping an external landscape, a landscape analysis can help nonprofits look inside their own organizations and map out networks of internal power brokers. Such a process identifies the relationships between critical stakeholders who have the throw-weight to advance a policy agenda. Often, organizations that support or participate in advocacy fail to fully utilize boards of directors and C-level executives, and their nearly boundless webs of contacts. Even within your own organization, there might be more political power than anyone realizes.

QUESTION 4: ARE YOUR MESSAGES AIMED AT WINNING NEW ALLIES OR JUST MAKING YOUR BASE FEEL GOOD?

Through regular updates, email alerts, and other communication avenues, most effective organizations excel at crafting messages that animate their donor base and activist stakeholders. But that's not enough. Advocacy and education work can quickly break down when organizations fall into the trap of using language that solely rallies supporters, instead of shaping messaging that also resonates with people who doubt a cause's primacy or efficacy but might still be persuaded to lean into it. And we know that language matters, a lot—consider "death tax" versus "inheritance tax," and how advocates used the grim-sounding term to galvanize forces around an esoteric policy debate.

When an organization plays exclusively to its base, it risks creating an echo chamber for true believers, rather than pitching a tent that is big enough to accommodate converts. On the surface, it might appear that undecideds are few and far between in today's hyperpartisan political climate.

Digging deeper, however, the evidence suggests that the American public is more united than commentators would have us believe. For example, although Americans are sharply divided over the tension between gun rights and gun control, a 2016 survey commissioned by *The New York Times* found overwhelming support among registered voters for specific, individual proposals, such as universal background checks on gun purchases.[10]

Common ground can prove fertile for organizations seeking to grow beyond their base, even when the cause is guns or some other high-temperature issue. Those social sector entities that succeed at honing emotionally resonant messages for skeptical but swayable audiences begin by polling, so as to better understand the target population's desires and concerns. They also use focus groups to test language and zero in on messaging that works.

Such was the challenge that Citizens for Responsible Energy Solutions (CRES) encountered when it reached out to Republican policy makers on issues affecting the environment. Until recently, policy

designed to preserve and protect the environment was seen as a common good.[11] Over the past two decades, however, issues involving the environment have too often divided political parties. And few environmental issues are more divisive than global climate change.

Founded in 2013, CRES is a 501(c)(4) nonprofit with an affiliated PAC and a separate 501 (c)(3) (CRES Forum) that works to promote clean-energy policy solutions that can win conservative allies. The organization exclusively supports Republican policy makers and candidates who support clean energy as a way to preserve the Earth's climate. But in the months following its launch, CRES ran into strong headwinds. The issue had become too politicized.

At the time, there was little to no polling to test the kind of climate-related messaging that might activate conservatives. Seeking to enlist support for clean-energy policies from Republicans skeptical of climate change, CRES sought to find new messaging frameworks by consistently polling target audiences. The research showed that conservatives viewed scenarios depicting the consequences of rising global temperatures as doom-and-gloom fearmongering. But some among them connected with messages like "Being responsible stewards of God's creation" and "Creating new jobs and a stronger economy based on clean, renewable energy."

That's only a start. But the first green shoots of progress just might be starting to sprout. Last year, even as the United States withdrew from the Paris climate accord, the US House of Representatives' bipartisan Climate Solutions Caucus more than tripled in size. CRES worked with Republican leaders in the US Senate and House to form working groups, whose aim is to develop conservative clean-energy policies. For example, three conservation-minded Republican senators cast the deciding votes to defeat a congressional effort to overturn an Obama-era methane regulation. Out of 15 Congressional Review Act efforts to repeal regulations advanced by the Obama administration, the vote on the methane rule was the only one not to be approved in the Republican-controlled Senate.

Converting skeptics sometimes requires contrarian thinking. If an organization has been using the same pollster for a long period of time and getting the same results, it might be smart to give someone else a chance to surface new perspectives. If a progressive organization truly aims to win over independent and right-of-center voters to its cause, it might try hiring a conservative or bipartisan polling firm, just as a conservative-leaning nonprofit might be wise to hire a progressive pollster.

Of course, it is quite possible that the best messaging framework to win over undecideds might irritate existing supporters. To reduce the friction that comes with expanding the base, successful donors, grantees, and movement leaders work through the problems that may arise when trying to move on-the-fence supporters and policy makers into the plus column.

QUESTION 5: ARE YOU USING NEW TECHNOLOGIES TO EDUCATE AND ADVOCATE?

Emerging technologies allow an organization to directly engage with potential supporters and influencers who affect an advocacy campaign's outcome. By using social listening technologies, which track conversations around specific phrases, an organization can quickly glean who's talking online about an issue, what they're saying, and how opponents are messaging on the other side.

In real time and for little money, apps like Hashtagify.me and RiteTag pull data from Twitter and Instagram and generate listening reports, which can reveal opportunities to create messaging for influencers and winnable audiences. When we plugged in #Autism on Hashtagify.me, two unexpected hashtags—Etsy and handcrafts—billowed up into its word cloud of related hashtags, while RiteTag listed #Autism's top 10 most prolific tweeters.

Other technologies in online polling, like Typeform and Poll Everywhere, allow an organization to test, in real time and at a fraction of the cost of traditional polling, whether a message is resonating. Using this research, an organization can target compelling messages to specific zip codes, city blocks, or even individual buildings, and thereby reach the people who are ultimately inclined to support a cause. At the same time, familiar technologies, such as microsites, can help advance an advocacy campaign's cause.

Such was the case in the summer of 2014, when Autism Speaks launched a microsite, Autism Champions, a temporary campaign to help pass the federal Autism CARES Act.[12] The platform enabled the autism community's most passionate advocates, with just one click, to write, tweet, or connect via Facebook with key legislators. (The site included a personal page for every single member of Congress and had the capacity to reach state and local leaders.) The site gave Autism Speaks a way to rally the community's champions—district by district and zip code by zip code—with take-action messages at decisive moments. After just a month of activity, the site reached more than 1.5 million people, 178,000 of whom took such actions as sharing, posting a comment, or clicking through to the Autism Speaks website from the Autism Champions microsite.

Whether it's a platform featuring direct pathways to policy makers and influencers, or a digital portal that lets organizations peer into people's attitudes and influences, such tools require donors to think differently about the role that advocacy (and funding advocacy efforts) plays in their overall portfolio. One litmus-test question: If your grantees aren't using smart technologies to target and test, how do you measure whether their messages are connecting with the audiences that matter most?

APPLYING THE FIVE QUESTIONS

Even though Washington, D.C., is often locked in ideological warfare, not all trenches have been dug. There are wide-open opportunities for philanthropists to help grantees step into the public arena, educate lawmakers, and influence legislation that mobilizes their social impact missions. Think about unlikely pairs such as US Senators Cory Booker, a Democrat, and Rand Paul, a Republican, teaming up to introduce legislation to help nonviolent offenders reintegrate into society. Or organizations like entrepreneur Gary Mendell's Shatterproof, which is recruiting elected officials on both sides of the aisle to beat back the nation's opioid crisis. And then there's hedge fund manager Paul Singer, founder of Elliott Management Corp. and a self-described Barry Goldwater conservative, who crossed party lines and teamed with software entrepreneur Tim Gill, founder of Quark Inc. and a longtime supporter of Democratic politicians, to help win marriage equality for LGBT Americans.

To begin, donors can ask grantees and boards how far they've advanced their core issues, what it will take to get where they need to go, and when and where a broader systems and social movement

lens is needed. The five questions can act as signposts for navigating those conversations and assessing progress. The questions can also help reveal opportunities that are ripe for development, such as converting research into game-changing policy or marshaling activist stakeholders.

There will also be opportunities for philanthropists to support advocacy campaigns at each stage of their evolution. Every campaign goes through a growth process, which calls on grantees to summon different capabilities. Early on, there might well be a need for philanthropists to invest in momentum-building activities—such as developing a body of academic policy research or a base of grassroots supporters—that build a foundation for progress. As the initiative moves into the public sphere, there's often a need to invest in coalition building and further solidify the case for change. During the closing effort to finalize a policy change, there will likely be opportunities for philanthropists to plug unaddressed strategic gaps or fuel a lobbying campaign.

No advocacy campaign, not even an undeniably virtuous effort to provide life-changing therapy to autistic kids, proceeds seamlessly. Should they take a stand, philanthropic institutions and their grantees might well encounter pushback, will almost certainly endure setbacks, and could risk alienating some stakeholders. But the alternative—hunkering down and focusing on some nice-to-have but nonessential initiatives that could never become a target for criticism—likely extracts a far bigger price.

Choosing not to engage publicly on issues that matter is still a choice, which comes with consequences. Even if donors and grantees decide to stay above the fray, it's almost guaranteed that their opponents won't. Donors' inaction increases the odds that their chief causes will suffer reversals as the opposition blocks progress. Strategically, and perhaps even morally, the wisest course of action for donors is to invest in helping grantees champion their missions in the public sphere. ∎

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VIEWPOINT

INSIGHTS FROM THE FRONT LINES

Think Strategically About Prize Hosting

Social media has made it easy for organizations to launch competitions, but too few consider how such efforts best align with their goals.

BY CHARLIE BROWN & ROBERT Q. BENEDICT

For many in the social sector, hosting a prize has become practically compulsory. But prizes have also proved divisive, sparking debates about their intended use, the value they provide, and the costs they incur. With so many conflicting perspectives, are there any guidelines to help decide whether a prize is worth pursuing?

We have spent more than a decade working with foundations, corporations, government agencies, and NGOs to design and host prizes; we've also observed dozens more competitions hosted by others and made our fair share of missteps along the way. The motivations behind prizes vary but generally cluster into one of two groups: *awareness*, an aim to raise the profile of an organization or issue area to generate momentum; and *disruption*, which incentivizes innovation, surfaces new solutions, or fundamentally changes an entrenched system.

Some organizations already have a solution in mind and use a prize to find the best partners for implementing it—more like an open request for proposals (open RFP) than an innovation search. We would categorize this sort of effort under the awareness rubric. Another large share of prizes, also overtly about awareness, are essentially marketing efforts, and lay the groundwork for future brand positioning and programmatic grants and activities. By contrast, disruption prizes seek the attention of highly focused experts to address a long-standing, difficult problem by drawing innovative solutions from the fringes of the field.

These motivations are legitimate and meaningful. But nearly all prizes use the language of innovation and disruption in their communications, to spark excitement and lend weight to the challenge being posed. This tendency can create potential problems by treating disparate goals—awareness versus disruption or even innovation—as equivalent and can lead organizations to use a counterproductive strategy for their needs. An awareness campaign that is marketed as an innovation prize, for example, risks alienating participants, who often invest enormous effort with the expectation of seeing their ideas, or those of a worthy competitor, implemented in a significant way.

Matching a host's goal with the right kind of prize strategy is perhaps the most important, most ignored task that prize hosts face. A mismatch of intention and strategy can result in not only lackluster results but, more important, damaged trust with entrants and weakened credibility for the host.

THE NEW EASE OF COMPETITIONS

In the early 2000s, prizes were a high-cost, high-effort endeavor. Major competitions were logistical nightmares, often requiring staff to identify and recruit entrants, who then needed one-on-one support to navigate a complex application process, and, in the case of global challenges, all of this occurred in multiple languages. This high burden on hosts made prizes relatively rare, mostly limiting use to intractable problems that the host organization was at a loss to solve on its own.

It was social media, more than anything else, that changed this situation. By 2010, with Facebook open in millions of browsers and smartphones, the cost of gathering a critical mass of like-minded supporters for almost any cause had fallen to nearly zero. In limited cases, social media groups could even replace certain prize efforts, if the main goal was to motivate and appeal rather than develop solutions.

This was the environment in which we founded Context Partners, a consultancy focused on engaging a brand or cause's most important supporters. The logistics of prize design were still largely bespoke at this point: Using digital platforms for prizes required sophisticated coding expertise and fluency in user-experience and communications design. But the sourcing of entrants had been dramatically simplified.

The second boon to prize administration came around 2013, when the tech industry brought high-quality, ready-made software solutions to prize design. Prize-hosting services such as Common Pool and data-science platforms such as Kaggle have dramatically streamlined the technical setup of prize design, communication, and hosting, while still enabling a certain amount of customization.

For many aspiring prize hosts, these tools represent

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a radical leap forward. For example, say your organization wants to host a prize that raises awareness or attracts donors, already has access to your target participants, and has the internal staff to recruit and evaluate several hundred entries. Then a prize may well be achievable with little to no outside help. Modern digital services have taken what was once a highly customized $500,000 task and turned it into one that costs a tenth of the price and can be run with just two or three part-time staff. Within the right context, such competitions aimed at raising awareness or finding collaborators can offer excellent value, delivering more visibility than a traditional marketing campaign at similar levels of investment.

But the ease with which prize competitions can be produced and the resulting increase in popularity have generated a perverse incentive: Too many organizations jump at the opportunity to host a prize without thinking carefully through the expectations that extend beyond the award. Since many prizes are billed as seeking "world changing ideas" but are resourced as one-time campaigns, there is a significant misalignment of needs and offers between entrants and hosts about the value of participating in the prize.

FOUR RULES FOR HOSTING PRIZES

With some intentional planning before setting out, however, hosts can embrace the full value of a prize at any level of customization. Four rules specifically come to mind.

First, *clearly define what problem you think needs solving or what issue requires more attention.* Ready-made prize-hosting tools excel in situations where the problem to be solved is very clearly defined. Go to Kaggle's website and review the list of recent competitions, and you'll see challenges such as "improve lung cancer detection," "help satellites differentiate between ships and icebergs," and "predict hourly rainfall from polarimetric weather data"—problems so concrete, they could be used to direct a project team. And Kaggle already has an active community of statisticians and data scientists ready to enter contests of this type. But if your area

of concern is more general or needs further refinement (such as "rethink the world's cities" or "improve education in Africa"), or if you don't already have a community of potential entrants, our experience suggests that it will take plenty of community management on your part to elicit useful entries.

Second, *listen before you launch.* Listening is a critical yet often-overlooked step, because it's tempting to go directly into setting up your prize mechanics. What you learn from potential entrants can reveal new needs about which you were unaware, mechanisms to fuel participation, and pitfalls of those who've tried similar efforts before you.

For example, the Knight Foundation sought a prize to tap into the unrealized potential of black men as catalysts for positive community engagement. Through in-person conversations with informal leaders in Detroit and Philadelphia, the Foundation learned that their target entrants faced enough high-stakes competitive dynamics in their day-to-day lives. Instead of more challenges, they wanted a greater sense of connectedness to share the innovative work they were already doing. Knight then pivoted from a prize awarding "the best" to a peer-nomination prize grounded in storytelling. The new prize initiative became so successful that it eventually transformed into its own membership organization—the BMe Community—a network of community-builders focused on empowering people by sharing and inspiring positive contributions to society.

Third, *play to your strengths, or be an enthusiastic newbie.* A prize in a particular sector will gain the attention of influencers if it addresses the needs of the field, and the host often engenders trust as the convener, even in the absence of a track record. For example, The Roddenberry Foundation, established by the son of Star Trek creator Gene Roddenberry, sets as its mission "To Boldly Go," which provides an optimistic, inclusive, but nebulous mind-set rather than a particular problem statement. The Roddenberry Prize, launched in 2016 on the 50th anniversary of the television show, was still able to attract exceptional entries for its wide

call for "game-changing, innovative solutions" and raise awareness beyond its base of *Star Trek* fans, by sharing their enthusiasm with tech incubators and academic institutions receptive to its ambitious mission. Such efforts helped boost the Foundation's profile and effectiveness, and led to it being named one of *Fast Company*'s "Most Innovative" organizations.

Fourth, *get value after the awards are doled out.* If an organization's goal depends on creating a network of long-term relationships—which nearly all do—a ready-made prize approach unto itself is not likely to advance that aim. Digital services can help you target online communities, create a website, publicize your prize, and manage entries, but they can't grow and maintain the human connections that are needed for lasting impact. In our opinion, the most valuable outcome of the Indonesian Peat Prize—an innovation prize rewarding improvements in resource-mapping technology—wasn't a particular technology innovation, but the creation of a robust network of researchers, technologists, NGOs, and government agencies who continue to collaborate on solving Indonesia's natural resource problems.

Similarly, the Rockefeller Foundation's "100 Resilient Cities" prize—a multiyear, global prize to gather the world's leaders in urban resilience and centralize best practices—was less about seeking specific ideas than finding cross-sector partners to build long-term urban resilience, forming a community of practice that includes more than 14,500 people, a network well beyond the 100 initial winners.

If your mission needs hearts and hands—not just eyeballs—you need to engage entrants as long-term collaborators. This requirement affects everything from the name of the prize, to the kinds of events used to announce the contest or name the winners, to the level of personal engagement with all entrants after the prize is awarded. Realize that you are building a community, not just hosting a prize; no stand-alone software has ever proved more adept at this than a living, breathing human. ■

VIEWPOINT

Civil Society Confronts Authoritarianism

My experience in Erdoğan's Turkey has taught me that NGOs need to avoid polarizing politics, focus on core values, and find allies to survive and thrive in closing societies.

BY BATUHAN AYDAGÜL

On the morning of November 4, 2002, Turkey woke up to a major upheaval in its political system. The Justice and Development Party (AKP), a new spin-off from the flag-bearer movement of political Islam in Turkey, unexpectedly won the majority power in the national parliament, and Recep Tayyip Erdoğan, AKP's head, rose to prime minister.

Immediately following the 2002 elections, the stars seemed to align for Turkish civil society. AKP adopted a democratic agenda during its early years in power and passed a series of major reforms to bring the country's democracy in line with European Union standards. Among those reforms, the new laws on associations (2004) and on foundations (2008) aimed at improving the legal scaffolding of civil society. These laws removed many restrictions imposed on civil-society organizations by the military regime in the early 1980s. This positive political trend also enabled Turkish civil society to diversify: Alevi, feminist, Islamist or conservative, Kurdish or pro-Kurdish, LGBTI, rights-based, and Roma civil society expanded in numbers and strengthened in institutional capacity and visibility.

Fast-forward to 2018, and the legal and political climate for Turkish civil society has completely deteriorated. AKP and now-President Erdoğan have governed the country under a state of emergency after the government survived a coup attempt in July 2016 during which 248 people, including 180 civilians, were killed by the plotters. Under the state of emergency, AKP has issued 30 executive orders, exempt from judicial processes, to purge a total of 114,279 individuals from public service and shut down a total of 1,424 associations and 145 foundations by the end of 2017.

This aggressive clampdown has also targeted human rights, peace, and Kurdish and pro-Kurdish activists in civil society and higher education. After academicians published a declaration to denounce the increasing violence in Southeast Anatolia, 312 signatories were fired without any social security protection and are now on trial in court. Taner Kılıç, the Turkey chair for Amnesty International, and Osman Kavala, one of Turkey's most prominent businessmen and civil-society activists, are just two among many citizens who have been jailed. Turkey has been judged "not conducive for civil society development" by the International Center for Not-for-Profit Law.

Turkish liberal democracy is in free fall. According to Freedom House, Turkey's total scores on freedom, political rights, and civil liberties have plunged from 60 (out of 100) in 2014 to 32 in 2018, making Turkey "Not Free" and joining the likes of Russia, China, Saudi Arabia, and Iran.

How does civil society survive in closing societies? My experience working on education policy in Turkey as well as my awareness of the history of social change globally have taught me that progress will be slow and possibly painful. Most civil-society institutions are political by nature but must be careful to avoid being drawn into the schemes that illiberal regimes use to politicize and polarize perceived opponents. It is also crucial to cultivate solidarity and cooperation with like-minded organizations to maximize impact and to seek dialogue with individuals within the government or NGOs perceived as pro-governmental to promote values that transcend party politics, such as quality education.

THE PIOUS YOUTH

I graduated from Stanford Graduate School of Education, with a master's degree in international education policy and administration, in 2002—the year AKP took power. When I arrived at Stanford, I intended to stay in the United States and work for a few years after graduation. However, AKP's election and the prospect of joining a think tank on education to practice my newly acquired skills during this critical juncture in Turkish history provided a challenge too intriguing not to pursue. Though surprised by the political turn, I remained optimistic that it could provide Turkey an opportunity to reconcile its historical fears of Islamism and to consolidate its democracy, hobbled by the military-imposed constitution since 1982.

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Around the time I graduated from Stanford, professors Tosun Terzioğlu and Üstün Ergüder were about to launch the Education Reform Initiative (ERI), a new think tank in Istanbul dedicated to K-12 education, through collaboration with the Open Society Foundations, Sabancı University in Istanbul, and the Mother Child Education Foundation (AÇEV)—a civil-society organization that delivers educational programs for children, parents, and young women in need across the country. Ergüder recruited me to work at ERI in March 2003.

The Ministry of National Education (MoNE) was then pursuing a much-needed curriculum reform, prioritizing girls' schooling and expanding enrollments for disadvantaged students. Crucial for this effort, the government was also opening civic space for dialogue on this reform and demonstrating an interest in evidence. The State Planning Organization, the government's policy planning shop that later became the Ministry of Development, commissioned the World Bank to assess Turkish education and provide a blueprint for drafting a new strategy. The "Education Sector Study," published by the World Bank in association with ERI in 2005, was a product of research papers and consultation with stakeholders. The burgeoning national support for girls' schooling was driving female enrollments up, so we wanted to investigate attendance rates. Our research showed that school dropouts were a problem—not just girls but also boys. Our subsequent policy advocacy successfully influenced MoNE to monitor and increase attendance in the following years.

Eventually, ERI managed to be widely recognized as an objective and independent voice on education policies in Turkey. In 2009, the Minister of National Education stated that ERI served like a mirror to the Ministry, objectively reflecting both its positive and negative aspects equally.

But this positive outlook changed after then-Prime Minister Erdoğan stated in 2012 that "we want to raise a pious youth." This about-face came just as MoNE was about to commit to improving poor learning outcomes, Turkey's chronic policy challenge, by adopting a national strategy for teachers. Since then, education policy has been entirely politicized, way beyond the give-and-take between education and politics that is customary in most states.

The biggest setback has been diversion of resources, financial and bureaucratic, away from Turkey's immediate education challenges. For example, the Ministry only adopted the national teacher strategy in June 2017, five years later than originally planned. After the coup attempt in 2016, MoNE limited participation by civil society groups on the basis of whether an organization is pro-government, supports AKP-approved education policies, and shares the same cultural values as the ruling party about schooling, children, family, and gender roles.

IRREDUCIBLY PLURAL

Though MoNE has grown less tolerant of ERI's critical voice, we have experienced a relatively trouble-free period, thanks partly to steps we have taken. The appropriate response to such trying circumstances is investing in social capital: networking and bonding with like-minded groups and building bridges with other, heterogeneous groups on shared priorities.

At ERI, our mission of "contributing to systemic transformation of education" focused our attention in the new political reality. Our core values—sound evidence, constructive dialogue, and critical thinking—were especially handy within our new ecosystem because some stakeholders still valued data, dialogue was needed even more, and critical thinking enabled us to think beyond the mainstream politicized debates. More important, uniting around this core ideology helped us bond with our funders, board, team, and close allies as a community and become more resilient.

When facing the pressures of undemocratic regimes, civil-society organizations should keep in mind that society is irreducibly plural. What holds for society also holds for public agencies: They are not monolithic, no matter how much the ruling party tries to give that impression. Allies and common ground can be found and should be carefully cultivated. So while we found that our window of opportunity for influencing policy decision at the top narrowed, we still maintained effective policy advocacy through generating and communicating evidence to policy makers. As it turned out, bureaucrats needed practical advice and sound data, even when education policy was utterly politicized from above.

When we asked how we could best promote the systemic transformation of education while the window of influencing macro policy shut down, we decided to direct some of our resources to reaching out to teachers and parents, the lifeblood of the education system. We knew that teachers were able to make a positive difference in education despite all other adverse conditions, and it was essential that they have support. So we invested in discovering an innovative and contemporary approach to support teachers and partnered with ATÖLYE, a transdisciplinary innovation platform for community building, to research, design, and develop a new idea.

The result is the Teachers Network, a platform that aspires to empower teachers through collective leadership and impact. Six of Turkey's leading foundations collectively fund and support the Teachers Network, a rare instance of collaboration in the country's philanthropic scene. Though the Network is still in its infancy, its most significant achievement has been enabling teachers to reclaim their agency within a highly centralized and hierarchical ecosystem, to identify and solve problems in their schools and unite with like-minded peers.

I remain a realistic optimist. I assume that this period, marked by the global retreat of liberal democracies, will last for some time and unfortunately cause suffering to many people. However, I also believe in our potential to reverse this retrogression. By being pragmatic, we can preserve our civil-society institutions today so that they can do their invaluable work in rebuilding inclusive, equitable, and rights-based democracy well into the future. ∎

VIEWPOINT

The Moral Imperative of Clean Household Energy

The world's poor and low-income countries need greater access to modern energy solutions, including clean-burning fossil fuels for household use.

BY THOMAS MATTE

C lean air to breathe, like safe drinking water, is essential for human health and well-being. A prerequisite for healthy indoor air is clean, modern household energy. While this has been available for generations to nearly all who live in wealthy countries, billions of people in low- and middle-income countries worldwide live in households dependent on polluting fuels for cooking, heating, and lighting. These unhealthy fuels include coal, wood, charcoal, other biomass fuels, and kerosene. As a result, an estimated 2.9 million annual deaths globally are caused by household exposure to smoke pollution—substantially more than are caused by lack of access to safe drinking water and sanitation.

The crushing global health burden of household air pollution creates a moral imperative for urgent action. But current global investments in expanding access to clean household energy lag far behind what is needed. While annual global investment in renewable energy exceeded $300 billion from 2011 through 2016, in 20 high-need countries where more than 80 percent of the global population without access to clean cooking live, a cumulative $600 million was invested in development finance for clean cooking fuels and technologies between 2002 and 2015. This rate of investment is less than 1 percent of the estimated $4.4 billion annually needed to achieve universal access to clean cooking by 2030. As a result, the total global population still dependent on solid fuels for cooking—about 3 billion people—has not decreased in recent years. A larger and more focused allocation of public, private, and philanthropic resources is required.

I propose three principles to guide these resource-allocation decisions. First, household energy solutions should be chosen primarily based on their potential to improve the health and well-being of those living without clean household energy, the overwhelming majority of whom are living in poverty or in low- and middle-income countries. Second, rather than assuming that all fossil fuels are worse than alternatives in terms of climate and other environmental impacts, all energy options, including fossil fuels, biomass fuels, and biofuels, should be evaluated objectively through realistic life cycle analyses of their effects on emissions of all climate pollutants and loss of carbon sequestering land cover. Third, access to healthier, proven, available, and scalable solutions should be expanded as rapidly as possible, with support from development financing to include subsidies where needed.

Based on these principles, expanding access to liquefied petroleum gas (LPG) should be one of the central near-term strategies in reducing the harm from household air pollution. Investments in solid biofuel solutions should be limited to places where it is not feasible to rapidly scale cleaner fuels and technologies.

THE ADVANTAGES OF LPG

Improved biomass stoves have been developed in an attempt to improve efficiency and reduce emissions of harmful pollutants. But this strategy has not been effective for reducing health risks from solid-fuel use: Improved biomass stoves developed to date do not meet health-based emission guidelines, according to the best available science.

Only electric stoves or those burning certain clean fuels, such as LPG, biogas, piped natural gas, and ethanol, have sufficiently low emissions to prevent a substantial share of the health harm from household air pollution. Biomass-stove emissions have generally been found to be far greater in real-world household use than under controlled laboratory conditions using fuels chosen to optimize performance, because of suboptimal maintenance and fuel that varies in quality and moisture content.

For protecting the environment from climate change and other threats such as deforestation, one might assume that a potentially renewable fuel such as wood is preferable to LPG. But this assumption is flawed, because in countries heavily reliant on wood for fuel, much, and in some cases most, biomass fuels are not renewably produced, nor are they necessarily low-carbon alternatives to fossil fuels. To be sure, improved biomass stoves will remain a

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needed interim solution for some communities to reduce their wood fuel use until clean, modern energy is accessible and affordable for them. But providing biomass stoves should not come at the expense of focusing wherever feasible on providing cleaner household energy solutions.

LPG has the added advantage of being best suited to scale up rapidly, because it is easily transported and stored, and global supplies are abundant. In contrast to improved biomass stoves, LPG cookstoves are generally simple and reliable, and LPG fuel quality is much more consistent than biomass. In addition, use of LPG reduces cooking time substantially and avoids the costs of time and safety risks to women who forage for wood or other fuel sources. On health and welfare grounds alone, LPG, a fossil fuel, is far superior to biomass fuel burned in improved stoves currently available.

Neither electricity grids nor low-carbon renewable energy can be expanded rapidly enough to meet the need for both clean household energy and rapidly rising overall energy demand in developing countries over the next 10 years. In contrast, the scalability of LPG is evident in a global market already serving three billion people, and the feasibility of rapid expansion of LPG access has recently been demonstrated. For example, Indonesia converted 40 million households from kerosene to LPG for cooking in just five years, between 2007 and 2012. India is in the midst of an especially ambitious expansion with the goal of providing LPG access to 60 million poor households (approximately 300 million people) in three years.

For wealthy as well as low- and middle-income countries, LPG can be an essential source of clean, modern household energy during a time of transition to a low-carbon energy future. The global trend of rapid urbanization and economic development can facilitate progress, as growing urban and peri-urban populations enter the cash economy and are more easily connected to electricity grids and LPG distribution systems. The growing population of middle-class

urban dwellers, even if they already have access to modern energy, are increasingly demanding action to improve ambient air quality. They can become an important source of political pressure for expanding clean household energy, if made aware of the impact of upwind household solid fuel use on ambient air quality where they live.

PLANNING A HEALTHIER FUTURE

Rapidly expanding access to LPG with sustained, high levels of use requires planning, policies, and investments. There are plenty of lessons to apply from past unsuccessful as well as successful efforts to scale up LPG use sustainably by developing countries. Unsuccessful efforts have involved an unreliable fuel supply, upfront costs, and safety concerns that undermined uptake and sustained use of LPG as a clean fuel. Successful efforts have involved national planning with multiple government agencies, civil society, and private sector actors, as well as new or expanded national LPG market supply chains that deliver LPG safely, reliably, affordably, and sustainably to households at scale. These national supply chains include import terminals, fuel storage networks, and cylinder filling and distribution networks. Finally, sound policy and well-enforced regulation, based on best practices, are essential prerequisites, and safe adoption and ongoing use of LPG can be increased with effective consumer education. In some areas, subsidies, mobile payment, and financing mechanisms are needed to support the purchase of stoves and fuel to make them affordable to very low-income consumers.

For low- and middle-income countries with large populations still dependent on solid fuels, aspirational goals for reductions in fossil fuel use need not and must not slow near-term progress on expanding access to clean household energy, including LPG. For many low- and middle-income countries aspiring to increase LPG access, one barrier to faster progress is the limited amount of development financing relative to the need. For example, the clean development mechanism established by the UN

Framework Convention on Climate Change (UNFCCC) cannot be used to support projects to replace biomass fuel with LPG or other fossil fuels. And the Private Financing Advisory Network, an influential advisor for clean energy investors in cooperation with UNFCCC, has several biomass projects in its pipeline, but none for LPG or other clean household energy solutions. No major philanthropic funding has arisen to fill the gap in addressing this urgent problem.

Environmental advocates can influence funding priorities, for worse or better. Some environmental organizations oversimplify energy policy options, opposing any and all fossil-fuel-based solutions while supporting vaguely defined "clean" or "renewable energy" solutions as capable of rapid scaling to meet growing energy needs. This framing ignores the fact that fossil fuels vary widely in their impacts on health and climate and that some non-fossil biofuels are more harmful to human health and the climate than some fossil fuels. In contrast, other environmental organizations take a more pragmatic position, opposing continued coal use while acknowledging the role of the cleanest fossil fuels, such as natural gas (with measures to mitigate its environmental impacts), in the transition to truly low-carbon, clean, and renewable energy.

Rapid gains in clean household energy promise large health benefits. To realize them, government health ministries should collaborate with energy, environment, and finance ministries in energy policy and planning to ensure that health considerations are taken into account. Nongovernmental organizations, advocates, and donors focused on public health, human rights, and environmental protection should also work to support governments in avoiding preventable, cumulative health damage from household pollution now, while reducing committed greenhouse gas emissions and deforestation compared with the status quo. That means greater investments today in technical assistance, infrastructure, and market reforms needed to accelerate access to cleaner energy and fuels. ■

PEER to PEER

On February 15-16, 2018, *Stanford Social Innovation Review* hosted
Data on Purpose 2018: "The Promise and Pitfalls of Our Connected World"
at Stanford University.

Brittan Heller, Director of the ADL's Center for Technology and Society, is interviewed by Stanford PACS Executive Director, Kim Meredith on the work of fighting cyber-hate.

Managing Director of Living Cities, JaNay Queen Nazaire, discusses the critical importance of people and process in the effective use of data for good

Stanford University CS professor David Mazieres demystifies blockchain

Prof. Neville Vakharia of Drexel University leads a workshop on the Open 990 as a strategic tool

Erica Garaffo, Data Analytics Lead for the Office of Civic Innovation of the City of San Jose, Shireen Santosham, Chief Innovation Officer for the San Jose Mayor's Office of Technology & Innovation, and Erika Salomon of the Center for Data Science and Public Policy at the University of Chicago share their experience leveraging big data to improve city services

SSIR Publisher, Michael Voss, talks with award-winning social entrepreneur, lecturer and author of *Social Startup Success*, Kathleen Kelly Janus

"Tech for Good" presenter Daniela Sarzosa-Castillo, Monitoring & Evaluation Director, La Laboratoria (Lima, Peru)

SSIR Managing Editor, Eric Nee

To find out more about upcoming SSIR convenings, visit: ssir.org/events

RESEARCH

HIGHLIGHTS FROM SCHOLARLY JOURNALS

CROSS-SECTOR SOCIAL INNOVATION

SOCIAL ENTERPRISE

Harmonizing Tension of Hybrid Organizations

BY CHANA R. SCHOENBERGER

How can an organization sustain both a social mission and a for-profit venture? While some social enterprises are successful at melding these two imperatives, many fail, or tip too far to one side or the other.

In a new paper, Marya Besharov of Cornell University and Wendy Smith of the University of Delaware provide a 10-year case study of one such entity, Digital Divide Data, which combines a money-making business with a mission to help disadvantaged rural citizens of Cambodia and other impoverished countries gain skills and jobs in information technology. DDD, which continues to thrive nearly two decades after its founding in 2001, has managed to navigate the challenge of its disparate goals in two ways, which Besharov and Smith dub "guardrails" and a "paradoxical frame."

Guardrails are structures or processes within the organization that allow leaders to bump safely against them as they work to integrate the group's dual mission. Such structures go beyond corporate governance to include hiring leaders with the right backgrounds: "Are you hiring people with expertise in the kinds of social problems and social issues you're trying to address?" Besharov asks.

The paradoxical frame is a mind-set that allows for pursuing two divergent goals at the same time. While many organizations would find this problematic for their strategic direction, a successful hybrid entity like DDD explicitly discusses how to achieve both social and business goals, seeing them as "interdependent and synergistic," Besharov says. In some cases, the group's leaders had to explain to their local managers how to pursue the dual mission, since there were no similar groups in Cambodia when DDD was founded.

"Competing demands don't have to be an either-or," Smith says. "They don't have to be contradictory."

The paper's key insight is that hybrid

organizations use the guardrails as a guide while analyzing strategy through the paradoxical frame. "The path to sustainability is developing systems and processes and continuing to adapt over time," Besharov says.

The researchers studied DDD through a combination of on-site visits over several years and the analysis of a vast trove of archival papers and electronic materials relating to the organization. Access to such data and the ability to track the group over such a long time makes the paper unique, according to Besharov. "Had we studied them for two years, we would have come out with a different answer that would have only shown what worked over that period," she says.

The question of how hybrid organizations thrive is a crucial

one now that more companies, especially in the United States, are embracing social goals as central to their business. "There are many more of those organizations now: B corporations, entrepreneurs starting small ventures that eventually grow that are incorporated as nonprofits," Besharov says. Other examples include social enterprises, community-interest companies, and cooperatives, Smith adds.

The question also commonly confuses those who launch social missions. "Often when I speak with social entrepreneurs, there's this sense that as soon as they start introducing business lingo and talking about cost challenges, they lose any sense of idealism," Smith says.

In addition to extrapolating into arts, education, health care, or other social services settings that involve social enterprises and hybrid organizations, the paper's findings could also be relevant to more traditional businesses as they navigate through strategic challenges that involve choosing between, or incorporating, divergent goals.

ILLUSTRATIONS BY ADAM McCAULEY

CHANA R. SCHOENBERGER
(@cschoenberger) is a journalist based in New York City. She writes about business, finance, and academic research.
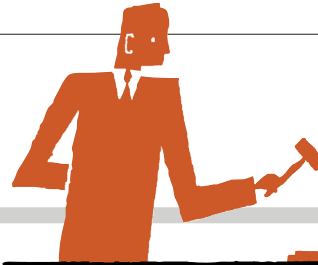
Despite how common these problems are becoming, many managers are still unclear about how to achieve dual mandates.

The paper breaks new ground in its understanding that successful organizations use guardrails to "embrace both sides, not trying to resolve the tension or get rid of it," says Tyler Wry, an assistant professor of management at Wharton who studies hybrid organizations. "The unique value [in this paper] is the idea that when you're trying to navigate between these dual missions, you want to have these processes, procedures, governance mechanisms put in place to make sure you don't go too far in one direction or the other." ◼

Marya Besharov and Wendy Smith, "Bowing Before Dual Gods: How Structured Flexibility Sustains Organizational Hybridity," *Administrative Science Quarterly*, 20, 2017, pp. 1-44.

ECONOMIC DEVELOPMENT

Bidding for Development Aid

BY CHANA R. SCHOENBERGER

When governments seek to help less-developed countries, they often do so by awarding aid grants to meet some local need—hygiene, sanitation, infrastructure, or other demands that the country's own government cannot satisfy—and hiring either a for-profit company or a nonprofit to do the work on the ground.

A working paper by two professors at HEC Paris (École des hautes études commerciales de Paris) examines the differences in behavior between these two types of organizations as they move through the formal procurement process for development assistance. The researchers, Marieke Huysentruyt and Bertrand Quélin, analyzed data from the UK's Department for International Development (DFID), an agency with a vast global reach. DFID's transparent bidding process yielded data points on how the agency identified each development project out for bid, how the bidders applied for the job, who won, and on what terms.

With data from DFID's auctions between 1998 and 2003, the researchers were able to study how nonprofits and for-profits approached the bidding differently. They found that for-profits and nonprofits most of the time do not compete for bids. For-profits, which won more than 75 percent of all offers, dominated the market for "simple services that are easy to define upfront, where price matters a lot and where price-quality comparisons are comparatively easier to make." But nonprofits dominated the auctions for development solutions, or "complex projects, which are costly to define precisely up front, where methodology is of key importance and price matters relatively less."

These tendencies, driven by market and aid needs, lead to different roles for the two types. "For-profits tend to act as transaction-centric, agenda-takers, nonprofits as solution-centric, agenda-setters," the researchers conclude. They also find that "contracts with for-profits typically involve much higher cost overruns," while "contracts with nonprofits are cheaper but jeopardize public interests," because they tend to address more complex problems and involve greater risk.

The concept behind forcing businesses and nonprofits to face off in bidding auctions for development work is that companies will tend to moderate their inherent greed to win bids for socially beneficial work, and nonprofits, through competition, will tend to adopt some of the professional characteristics of corporations, Huysentruyt says. But the researchers found that these competitive pressures are not typically operative, because the two types of organizations usually don't compete directly with each other by bidding on the same projects.

These results were somewhat surprising, she says, because the researchers were expecting to find more convergence between nonprofits and for-profits. "What you see in the data is nonprofits clearly shy away from projects that are too tightly defined, that are too precise, where governments spell out clearly what they are looking for," says Huysentruyt, an assistant professor of strategy and business policy.

Instead, nonprofits bid on projects that allow for wiggle room as they pursue their mission—and they receive weak scores in the bidding process for their ability to adhere to the posted bid notice. Companies, by contrast, bid on projects with rigid specifications, where they can provide a service or product for a fixed cost.

"In a setting like development aid, there is so much uncertainty, and it's hard to write tight contracts that clearly specify what is needed when government sometimes doesn't know itself," she says.

The study is useful because it highlights one of the important problems in public procurement, says Oxford's Stefan Dercon, an economic policy professor who served as chief economist for DFID for the past six years. "I can specify exactly what the products look like, what's going to be procured exactly, but sometimes the agency won't know exactly what needs to be done to solve the issue," Dercon says.

While government agencies often find it easier to work with nonprofits, where the mission aligns more closely with the government's development aims, the paper shows the importance of a stronger accountability framework and more precise language in the procurement process, Dercon says. For-profit contractors are more likely to charge the agency more if the project's requirements change in the field—which they often do—requiring the agency to think of these contingencies in advance.

"You have to restructure the contracts to be much more outcome-based," he says. ◼

Marieke Huysentruyt and Bertrand Quelin, "Contracting Out Development Aid: What Is the True Price That Government Pays for Nonprofit versus For-profit Involvement?" working paper, 2018.

RESEARCH

MARILYN HARRIS is a reporter, writer, and editor with expertise in translating complex or technical material for online, print, and television audiences.

BUSINESS

Bottom-Up Corporate Social Responsibility

BY MARILYN HARRIS

As much as corporate social responsibility (CSR) programs have become a badge of respectability among firms, the truth is that they often languish. The reasons vary: Managers are frequently reluctant to sacrifice scarce resources, employees see them more as a chore than an opportunity, and participation is too quick and superficial to make an impact.

But a study by Bocconi University professor Christiane Bode and INSEAD professor Jasjit Singh examines an unusually successful corporate social initiative (CSI) that was created and led by an individual employee, got the buy-in of other employee participants and the company, and managed to become financially self-sustaining.

In their paper "Cross-Sector Convergence: Building Sustainable Collaborative Initiatives Inside For-Profit Firms," the researchers focus on the emergence of this successful program and how it differed from the more typical top-down, management-directed CSR programs. Although management controlled the allocation of resources, the employee who launched the CSI acted as a social intrapreneur, by taking responsibility for its design and execution through his own initiative. Thus, the integration of

societal concerns into the firm's strategy became a bottom-up phenomenon.

"The vast majority of research on sustainability looks at the effects of programs already in existence," says Daniel Korschun, associate professor at Drexel University's LeBow College of Business. "This research draws back the curtain, so to speak, on how companies get engaged in the first place."

The CSI was initiated by a senior manager who returned from a yearlong sabbatical related to development and wanted to pursue such work further at his management consulting firm. He sought to create a program for employees to offer their services to NGOs and aid agencies in the development sector.

To convince management, he would need to present a valid business case. He emphasized the intangible value of social initiatives for recruiting and retaining talent. As the plan evolved, he figured that management would be more amenable if the program were financially self-sustaining. He persuaded the firm to accept below-market fees that would cover costs and exclude profit margin and overhead. This required the typically resource-starved clients to pay a fee for the consulting, rather than receive it pro bono. With such buy-in, both the clients and the program participants found greater value in the engagement.

To make the program work, the CSI initiator believed—correctly, as it turned out—that motivated colleagues would accept a salary reduction for the project's duration, of 25 to

50 percent, depending on the market location. His instinct that such a commitment would increase employee retention also proved correct, especially with younger employees, who are more interested in "hybrid" careers that combine business with social work.

To ensure the reintegration of the CSI employees into the commercial practice, the intrapreneur began framing the program in terms of its potential career benefits, such as real-world experience developing leadership skills. Participants would tackle more challenging roles, with more responsibility, than they might have been offered on consulting teams working with corporate clients. In post-project surveys, employees reported that the CSI experience boosted their confidence. The CSI experience was eventually integrated into performance evaluations, and the employees eventually associated their participation with positive career outcomes.

Throughout their analysis, the researchers were careful to distinguish employees' actual prosocial behavior from their

stated preferences, as well as the difference between the attitudes of CSI participants versus the rest of the employee population. While they found that not everyone would be interested in participating, Bode says, "there is in fact a large sustained interest in the overall population," which indicates that such programs could be scaled up.

The researchers compared the consulting firm's CSI program with a top-down CSR program launched by a healthcare company where employees were assigned for about a month to a social-impact project funded by the corporate CSR budget. Participants were not selected for matching skills or personal incentive, so there was little invested by any stakeholder, including the client, which received the services pro bono. When the company faced a financial downturn three years after the launch, the program was terminated.

In the more than 15 years since the management consulting firm's first CSI project was launched, more than 1,000 projects have been completed. "Now the NGO clients seek out the firm, while the firm continues also to seek out clients by being involved in various initiatives and networks where corporations connect with NGOs and development organizations," Bode says. In addition, private companies are hiring the consulting firm to help promote their own CSRs and sustainability agendas and pay full fees for such services. ∎

Christiane Bode and Jasjit Singh, "Cross-Sector Convergence: Building Sustainable Collaborative Initiatives Inside For-Profit Firms," working paper, 2018.

COLLABORATION

Collaborating Is Hard Work

BY MARILYN HARRIS

Social and organizational researchers are studying new models for addressing large-scale, complex challenges through cross-sector collaborations. Online platforms, in particular, have enabled greater participation in projects by organizations and people from different sectors and parts of the world.

Professors Anne-Laure Fayard and Beth Bechky of New York University studied a two-year development project that brought two different groups together via an online platform. Their research revealed critical weaknesses around the interests, expectations, and power dynamics of the initiative's collaborators that offer lessons for such partnerships.

The project sprouted from a program that aimed to increase collaboration for large-scale international aid using human-centered design, which seeks to design solutions *with* end-users, rather than simply *for* them. AIDIA Social Impact, the nonprofit arm of AIDIA, a design and innovation consultancy, issued an innovation challenge in 2014 on its open-innovation online platform. The challenge focused on women's safety and invited human-centered design solutions to empower women and girls in low-income urban areas.

A team comprising a US-based university student organization called Change Makers conceived of the winning idea, "Women's Co-op," which would create a "community concierge" to help connect women within a community and with other communities and keep them informed. Their idea, however, needed a partner on the ground. So they teamed up with a Nepal-based NGO called Women Empowered that had had some difficulty funding their program for widows in the slums. (All individual and organization names used in the study are pseudonyms.) The two groups connected on the challenge's online platform.

Over several months while communicating at a distance, the teammates appeared to share common interests in community-based action, training, and the human-centered design approach. The project was greenlighted by the funder.

At this point, the experiment began to go off the rails. The project initially stalled because AIDIA Social Impact provided no clarity on how the funds would be allocated, when they would begin to flow, and what kind of design support the project would receive. Then conflicts began when a new contact person at AIDIA Social Impact decided that Change Makers should get a share of the funding as the inventor of the idea and collaborator. (The organization had initially decided that Women Empowered would get the funds.) The contact person also urged direct on-the-ground involvement by Change Makers as a precursor to disbursement. "Keeping funding dependent on each iteration (as it was originally planned) would have also 'encouraged' dialogue to take place," says Fayard. But Women Empowered was dismayed by the change.

There was even more turbulence over the next six months: The lead project personnel at Women Empowered changed, and a two-day workshop that AIDIA Social Impact designers held with Change Makers went badly. "It became clear that AIDIA Social Impact designers not only had a superficial knowledge of the winning idea but thought the team should start from scratch with research," Fayard and Bechky write. It also became clear to Change Makers that Women Empowered's senior management was not interested in experimenting with human-centered design. "Women Empowered had more of a planning, formal approach and thus developed a program up front without any room for feedback from the users and tinkering along the way," Fayard says.

From this point, the abyss widened. Two major earthquakes in the area delayed the project longer. Then Women Empowered's director alienated both Change Makers and AIDIA Social Impact by demanding the funds and dismissed both parties' contribution to the project going forward. The partners felt betrayed by each other and by AIDIA Social Impact.

The project's pilot program was finally launched, with Change Makers' faculty advisor and three students running a weeklong series of workshops with the women in the slum, who were "incredibly engaged and committed." But the positive feeling from this was temporary. Women Empowered used the remaining funding for a different effort, related to its original focus on rural areas and following its old routines, and the project petered out.

"Collaboration is hard to do wherever it takes place," says Michele Kahane, associate dean of educational innovation at The New School's Milano School of International Affairs, Management, and Urban Policy. "If funders want collaboration between organizations to succeed, they need to make the additional investment to build strong collaborations. Cross-sector collaborations require a new type of financing model including seed funding for planning, capital investment, and ongoing working capital to support collaboration." ∎

Anne-Laure Fayard and Beth Bechky, "A Tale of Two Continents and Multiple Sectors: Spanning Boundaries for Cross-Sector Collaboration," working paper, 2018.

BOOKS

REVIEWS OF NEW AND NOTABLE TITLES

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Money for Nothing

REVIEW BY ELISABETH MASON

Chris Hughes is a very wealthy man. But the cofounder of Facebook didn't start out that way. His parents are first-generation college graduates from small-town North Carolina, one generation removed from the hardscrabble working class of the Great Depression. As he tells it in his new memoir-cum-manifesto, *Fair Shot: Rethinking Inequality and How We Earn*, Hughes studied hard and won a scholarship to Phillips Academy Andover, a prestigious New England boarding school, followed by admittance to Harvard. There, he met Mark Zuckerberg and Dustin Moskovitz; the three started a little online college experiment that later became a multi-billion-dollar company.

At this point, you might expect a writer, having salted a little humblebrag into the story about his modest origins, to continue extolling the virtues that brought him to the pinnacle of success. Not Hughes. For a man who became fabulously rich in his 20s and is now still in his early 30s, Hughes is remarkably detached from, and objective about, the circumstances that brought him fame and fortune. His candidly stated belief is that he was, if anything, more lucky than good.

Hughes' acute awareness of his good fortune despite humble origins has led him to contemplate how best to insulate ordinary Americans from the vagaries of economic ups and downs. After a series of less-than-satisfactory experiences with development projects in Africa, Hughes concluded that the most effective way to fight poverty is simply to hand people money, so that they can spend it as they see fit.

The idea of universal basic income has a rich pedigree. As Hughes reminds us, luminaries of both the left (Juliet Rhys-Williams, a British liberal of the 1940s) and right (Milton Friedman, Nobel laureate economist of
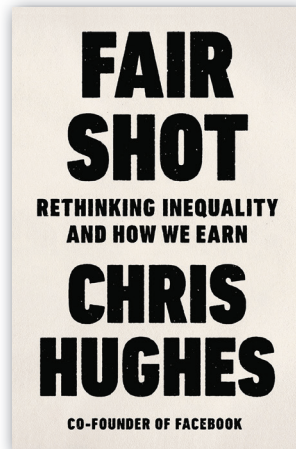
FAIR SHOT:
Rethinking Inequality and How We Earn
By Chris Hughes
224 pages, St. Martin's Press, 2018

the conservative Chicago school) have at various points supported the notion. The Earned Income Tax Credit, one of the few remaining bipartisan items of tax policy, arose from the ashes of a guaranteed income program contemplated in the time of President Richard Nixon.

Long out of fashion, the concept of basic income has seen a resurgence amid fears of widespread joblessness in the wake of ever-increasing automation. Futurist Martin Ford suggested a basic income in his dystopian *Rise of the Robots*; Switzerland mooted a guaranteed basic income of about $2,500 per month in a 2016 referendum.

Hughes is also concerned about the effects of globalization, automation, and artificial intelligence. Although these trends have benefited the average consumer, they have (thus far) done little to address long-term problems of runaway health-care, housing, and education costs. As Hughes pithily puts it: "You might be able to buy a less expensive television made in a Chinese factory, but you can't save money by sending your kid to a preschool in Beijing." He shouldn't be so sure: The latest wave of technological innovation might enable your child to attend remotely.

But Hughes has come neither to bury nor to praise technology itself; his larger

goal is to address American inequality. Hughes is skeptical of a universal basic income of the kind proposed in Switzerland —at least in the current environment. He (correctly) believes that any right-wing enthusiasm for the idea today is intended to pave the way for a corresponding dismantlement of benefits programs. He likewise recognizes that, with current programs intact, universal basic income would be functionally impossible.

Hughes instead suggests that we pay $500 per month to every adult living in a household earning less than $50,000. That would mean higher taxes on America's wealthiest families. Hughes is hardly the first to observe that marginal rates for top earners are at levels that the one-percenters of the 1940s-1970s would have been embarrassed to propose for themselves. One of the great appeals of the classic basic income argument, however, is that it is supposed to be *universal*. Whether a more limited, means-tested plan like Hughes' could win the support of liberals and conservatives alike is doubtful.

Let's recognize Hughes' plan for what it is: a blueprint for large-scale redistribution of American wealth. Readers hoping to find in-depth academic analysis of the causes of inequality or an exhaustive recitation of studies of basic income will be disappointed. This is not that kind of book. Then again, those readers are presumably not Hughes' target audience.

Whether modified basic income is the answer to America's crisis of inequality and immobility, well-documented by the likes of economists Raj Chetty, Thomas Piketty, and Emmanuel Saez, remains to be seen. But after the shock to the political system delivered by anxious Trump voters, and in light of the prospect of further disruption from automation, *Fair Shot* is among the first mainstream, accessible forays into a debate about the outside-the-box options that our society might need to contemplate. To this end, Hughes has given us a thoughtful case for radical reform, wrapped in an appealing and readable autobiography. ∎

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Road Map to a New World

REVIEW BY ANN CHRISTIANO

As details emerged this spring about Cambridge Analytica's mining of Facebook data to help manipulate elections around the world, it was easy to succumb to a feeling of powerlessness. It can seem insurmountable to drive change in an environment shaped by resources beyond the reach of anyone working to change the status quo. And yet, just as the public learned about Cambridge Analytica, a group of high school students from Parkland, Florida, captured the civic conversation on preventing gun violence. With few resources and without attachment to any organization, they have generated mass protests and brought millions of voices to bear on legislators and others whose decisions profoundly affect the availability of guns.

These two initiatives are more alike than they are different. Both are subverting traditional power structures to gain their own power and influence. One was extremely well funded, the other runs on the passion of grieving students. But both used the power of platforms to gain traction for their ideas.

New Power, written by Purpose CEO Jeremy Heimans and Giving Tuesday cofounder Henry Timms, helps us both to understand the moment unfolding around us and to navigate this new world. The term "new power" describes the participatory and peer-driven model of those who share control to drive influence. The authors liken it to an electric current, which is most effective when it's channeled rather than hoarded. New power is characterized by radical transparency, a willingness to allow communities to reinvent or re-create content, shared control, and actionable ideas that people make their own rather than simply consume. It is not defined by social platforms like Facebook and YouTube, though ideas well designed
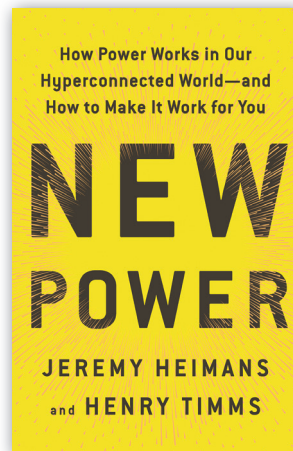
NEW POWER:
How Power Works in Our Hyperconnected World—and How to Make It Work for You
By Jeremy Heimans and Henry Timms
310 pages, Doubleday, 2018

to flourish in a new power world certainly transmit far more quickly on these platforms than through traditional and highly controlled media.

By contrast, old power refers to power that is held by a small group and inaccessible for the vast majority. Old power structures are hierarchical, discrete, and carefully guarded—the authors refer to them as castles. In these castles, power is a treasure—held by just a few and carefully protected. Castles are hierarchical and led by small groups who hold control and make key decisions.

According to Heimans and Timms, new power requires approaches that are actionable, connect to communities, and—perhaps most significantly—are extensible, meaning that they create an opportunity for communities to bring their own content and methods. Drawing from examples as seemingly disparate as the Ice Bucket Challenge, Donald Trump's presidential campaign, and the techniques that the Islamic State group uses to recruit from online communities, the book illustrates the practical ways in which those who understand new influence models can attract others to their cause.

If your canon for fomenting social change includes *Rules for Radicals*, *Here Comes Everybody*, *Made to Stick*, and *Switch*, you have probably been craving an up-to-date version—a new road map for driving change in a world where power belongs not to small concentrated groups who fiercely protect it, but to those who share control and incite others to cocreate. Heimans and Timms have given us that, and with it a construct for understanding how new tools and the personalities that have arisen by using them are changing power dynamics.

New Power isn't an indictment of old power, but it does suggest that those adhering solely to old power structures may be losing their influence as a result. We no longer live in a world where it is possible for a few to hold power. For those who came of age in old power structures or who have relied on them, experimenting with new power approaches will feel scary and risky. For younger generations who grew up in new power structures, such experimentation offers a way to use the platforms they're already using to communicate with their friends as strategic tools that can help them achieve their goals.

The irony of the book is that new power is not new. Effective agents of lasting cultural and social change have often used the tools of new power to achieve their goals. The principles of new power were at the root of success in suffrage, the civil rights movement, and even the Revolutionary War. In each of these causes, communities without money, position, or elected office led radical social change by infecting others with their ideas and inviting them to take their own approaches to gain their own power and influence. Making change requires those without power to exert pressure on the institutions and individuals who hold it close. We live in a moment when the confluence of new platforms, a growing understanding of how to use them, and insights in behavioral science and growing differences throughout the world are leading us to a significant moment in social change. This book could be our road map. ■

BOOKS

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Rethinking Development Work

REVIEW BY HEATHER GRADY

The first five chapters of Adam D. Kiš's new book, *The Development Trap: How Thinking Big Fails the Poor*, read as a manifesto to convince those working in international development that poverty will never be eradicated. Lest such readers despair, the last three chapters call for the continued fight against global poverty. Kiš's ultimate purpose is to "retool the motivation behind the work that development practitioners and scholars do."

Kiš has crafted a densely argued, thought-provoking tome that reflects his deep experience working at the front lines of the development industry. It's refreshing to hear from someone who has direct experience with developing communities, international NGOs, and official development agencies, in different regions of the world. Most popular development writers, to the shame of the literature, have never lived in the countries they write about.

Kiš, an anthropologist by training, fills his book with real, informative vignettes. He even includes a chapter on culture—a subject typically avoided by development writers. The phrase "culture eats strategy for lunch" reminds us that culture so shapes how humans and institutions behave over time that it cannot be ignored. He writes intelligently and respectfully about fatalism, resilience, and the idea of "limited good"—the notion common in some traditional societies that good things are finite and zero-sum. Outsiders often dismiss these perspectives as impediments to poverty alleviation, but they are adaptive responses to the challenging environments in which people live.

He rightly condemns the notion that rising GDP is the recipe for eradicating poverty and achieving broader human development. He cites the famous *Voices of the Poor* study by the World Bank that uniquely documented
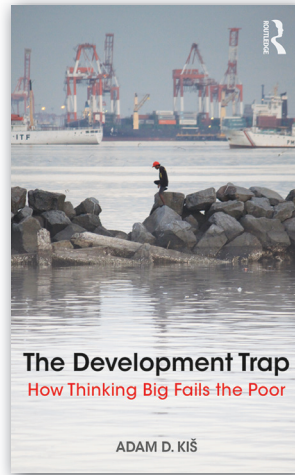
THE DEVELOPMENT TRAP:
How Thinking Big Fails the Poor
By Adam D. Kiš
190 pages, Routledge, 2018

real development challenges and solutions on a vast scale. It emphasized the importance of voice, agency, and empowerment of impoverished people that, in most contexts, are essential ingredients to a sustained end to poverty. By contrast, most development programs de-emphasize funding to support empowerment strategies because of the added short-term costs of participatory processes.

In a chapter titled "The Perversion of Idealism," Kiš strikes at the core problem of funding for development, whether from official government sources or philanthropy: Whoever receives the funds to do the work is generally more accountable to the funder than they are to those they are trying to assist. The dynamic creates enormous distortions because the quality control normally associated with being the consumer of products and services doesn't exist. Beneficiaries, end-users, and community members we're supposed to serve have little or no voice in the funding decisions.

"The uneven playing field creates the need for development, but also simultaneously opens up avenues for the dominance of development implementers' interests," he writes. "It's a tricky Catch-22 with no easy solution."

Kiš wants to tear down the very notion of ending poverty for two reasons: He doesn't believe it will happen, and he concludes that

such unrealistic idealism undermines the otherwise positive results that the development field can achieve. In the more optimistic turn of the book's later chapters, he recommends aid that supports "permanent, irreversible good," such as feeding children whose development will suffer without proper nutrition, funding education and capacity building, and "nudging" communities in the right direction to create circumstances where the right behavioral choices can be made. He urges funders and practitioners to embrace complexity in their work. His points are sound, but not novel.

Kiš fails to mention some of the great development thinkers and writers who inform and critique mainstream development practice. Most notable is Nobel Prize winner Amartya Sen (his classic *Development as Freedom* was published almost two decades ago), and a younger generation of writers such as Duncan Green of Oxfam in his book *How Change Happens*. Kiš repeatedly cites writers like Jeffrey Sachs, William Easterly, and Dambisa Moyo, whose works are important mainstream reads but represent only a thin slice of what anyone engaged in development should be required to read.

Despite these oversights, this is a useful book for anyone who is entering the field of development, doing a short-term stint to help out in foreign lands, or working in government or philanthropy to provide support internationally. His recommendation that we focus on creating opportunities and expanding choices, just as Sen has argued for decades, is sound. We should measure progress not by the eradication of income poverty but through multidimensional measures, just as the Human Development Index, Sustainable Development Goals, and Social Progress Imperative do. Though he doesn't cite these alternatives, his proposals are aligned with them.

Kiš ends by returning to his title: Big thinking fails the poor. He urges us to remember that context is crucial and that one-size-fits-all approaches tend to fail. He and many others have witnessed it firsthand again and again. It remains to be seen whether today's funders will heed his call. ■

KARINA KLOOS is global advocacy manager for Landesa, an international nonprofit working to secure land rights worldwide, and coauthor of *Deeply Divided: Racial Politics and Social Movements in Post-War America*. She received her PhD in sociology from Stanford University, where she researched nonprofits, international development, and social movements.

Winning Hearts and Minds

REVIEW BY KARINA KLOOS

Wouldn't every nonprofit leader want the blueprints for how to launch her campaign or cause successfully? Social change cannot be reduced to a formula, but there may be patterns across effective efforts that can illuminate the way for others. This is what Leslie Crutchfield (coauthor of *Forces for Good*) and her research team set out to identify in *How Change Happens*.

Reviewing US civil society since the 1980s, the team identifies six causes—though it largely focuses on the first four—that have achieved success: anti-tobacco, anti-drunk driving, gun rights, LGBT marriage equality, curtailing of acid rain, and polio eradication (globally). Their analysis of these "winning" causes generates a six-point framework:

1. *Turn Grassroots Gold:* Locally led efforts by empowered, passionate individuals with strong and coordinated connections enable people to "collectively fight for their cause."
2. *Sharpen Your 10/10/10/20 = 50 Vision:* Starting with local reforms is essential to building broad-based support and generating momentum that can lead to more sweeping federal reform.
3. *Change Hearts and Policy:* Policy reform depends on changing social norms, particularly when people's lived experience is put at the center of the debate and campaign messaging.
4. *Reckon with Adversarial Allies:* Social change is contentious and emotional; successful movements arise when leaders are able to put aside their differences and mobilize around common goals.
5. *Break from Business as Usual:* While traditionally the targets of social movements, business can be a powerful ally for advancing a cause, using company policies as precedent and leveraging market reach.

HOW CHANGE HAPPENS: Why Some Social Movements Succeed While Others Don't
By Leslie Crutchfield
240 pages, Wiley, 2018

6. *Be Leaderfull:* In contrast to "leaderless" and "leader-led," "leader-full" campaigns have strong central leaders and, to the first point, diffuse and localized leadership.

While some of the points are fairly obvious and even verge on tautological, Crutchfield captures some key insights for nonprofit leaders. Most striking is the transformative effect of creating a sense of belonging and empowerment, the success of the National Rifle Association and gun rights being the most poignant illustration. Some five million strong, members mobilize at town hall meetings and get decision makers to heed their minority views on weaker gun regulations. Why do so many people show up? The formal NRA Grassroots Division maintains a visible and constant presence while at the same time empowering their "Frontline Activist Leaders," volunteers who reach out to other gun owners in their own communities, building support for political action. Most effective, still, may be their regular NRA barbecues, shooting competitions, and other family gatherings.

Examples throughout showcase the importance of personal connection and human emotion, perhaps a reflection on why

the left—often focusing instead on abstract reasoning around justice and equality—has largely failed to mobilize in recent decades. By contrast, the anti-drunk driving campaign, as portrayed by Crutchfield, derived its momentum from the families of victims, spotlighting individuals with lived experience. Similarly, the marriage equality movement, as captured in an interview with the director of the Freedom to Marry national campaign, became successful when it pivoted from being about rights and legal protections to people and love.

Yet people and love do not always win the day. The NRA's emphasis on *rights* has also been a potent mobilizing force. The question of whether the lived experiences of schoolchildren, parents, and community members across the country outweigh the gun rights of Americans is now being waged. And we have yet to see whether a focus on black lives will fundamentally alter race relations in this country.

Indeed, few of the tactics in the author's framework are without counter-examples. In other words, these tactics may be neither *sufficient* nor *necessary* for success. The anti-tobacco movement, for example, was successful despite rancorous internecine fighting. Crutchfield frequently acknowledges that "what works for one movement or cause doesn't always neatly translate to other issues," a reminder that campaigns and movements are indeed messy business, not architected on blueprints.

The book is framed as a response to the shortcomings in the social movement literature. While Crutchfield is right to note that predominant theory still hinges on movements of the 1960s and 1970s, much of the current literature does not. While that literature is often inaccessible to the broader public (movement scholars take note!), it *does* exist—beyond the very thin citation of scholarship therein.

Given that the main target audience is nonprofits, however, the book resonates with others of its kind, such as *Forces for Good* and *Good to Great*, providing valuable perspective for civil society leaders aiming to catalyze social change. ■

LAST LOOK
IMAGES THAT INSPIRE

The Legacy of White Supremacy

The National Memorial for Peace and Justice opened April 26 in Montgomery, Alabama. The memorial, along with the nearby Legacy Museum, provides a sweeping look at the history of racial injustice and violence against African-Americans—from slavery, to post-Reconstruction terror, to Jim Crow segregation, to today's mass incarceration of African-Americans. The centerpiece of the memorial (created with the MASS Design Group) comprises more than 800 weathered steel monuments (seen in the photo), one for each US county where a documented case of a lynching of an African-American took place. The name of the person who was lynched and the date of the lynching are inscribed on each monument. The memorial and museum were created by Equal Justice Initiative, a nonprofit organization that litigates on behalf of people who have been denied fair and just treatment by the criminal justice system. —**ERIC NEE**
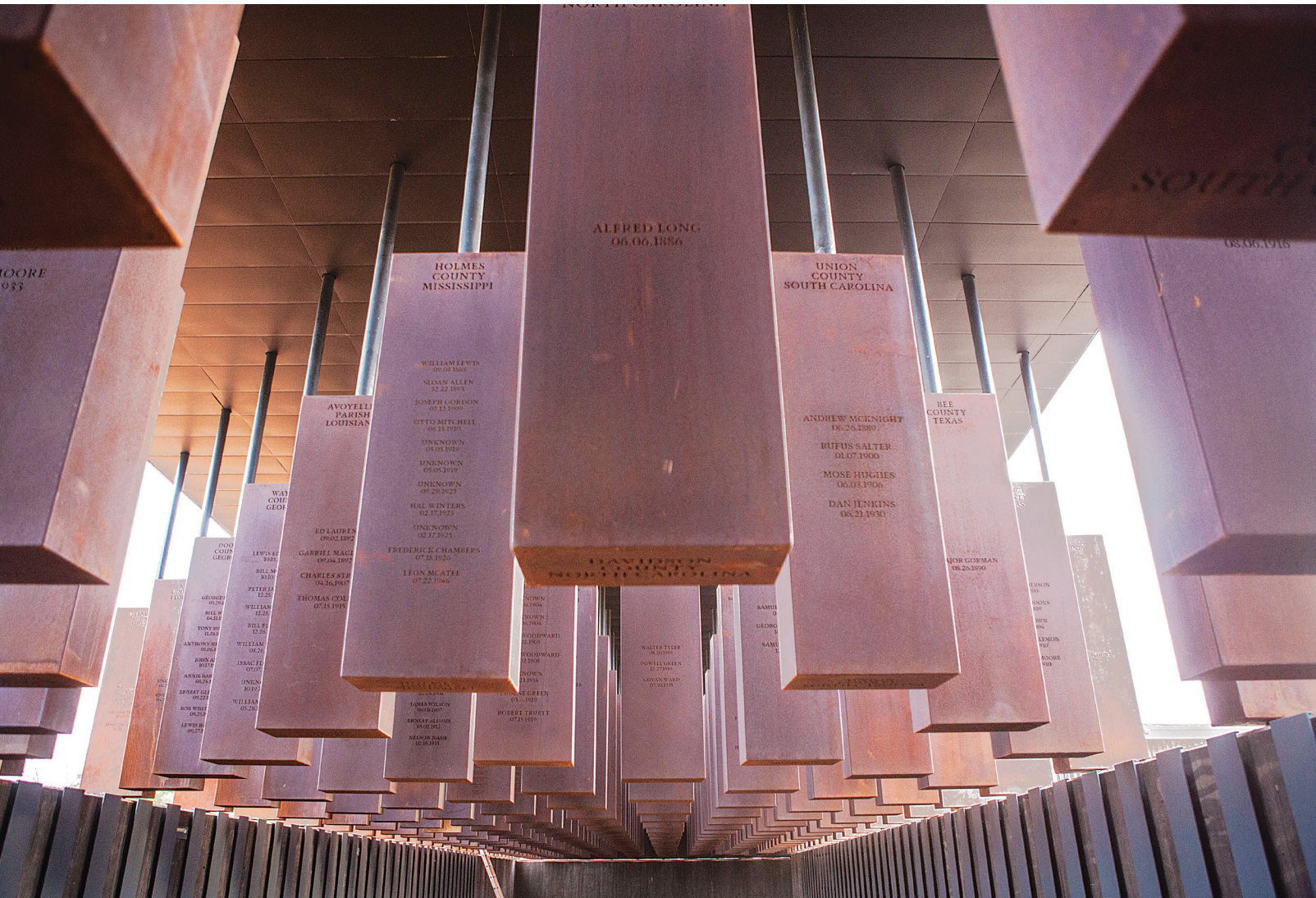
Photograph courtesy of Human Pictures/Equal Justice Initiative

Announcing the launch of a new project at Stanford University

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Democracy
and the Internet

A cross-campus, cross-disciplinary international effort, the Project on Democracy and the Internet promotes collaborative research, hosts convenings, and supports publications and teaching that engages with the promise and peril that new technologies pose to democracy in the digital age.

OBJECTIVES

- Developing new, authoritative knowledge about how the internet is affecting democracy.
- Establishing a needed new field of study around the internet that brings together technologists and social scientists.
- Convening key stakeholders to respond to the challenges the internet is posing to the basic mechanisms of democracy.

www.democracyandinternet.org
pacscenter.stanford.edu

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