



## **“Global Perspectives on the Changing Role of Foundations”**

### **Seminar Transcript**

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**Sabancı Center, İstanbul**

#### **Speakers:**

Barry D. Gaberman, Ford Foundation, Senior Vice President (Retired)  
Craig Kennedy, German Marshall Fund, President

#### **Moderator:**

Filiz Bikmen, Third Sector Foundation of Turkey, Director

## **WELCOME**

**Filiz Bikmen:** Mr. Governor, Ms. Guler Sabanci, Dear Guests

Welcome to the seminar, “The Changing Role of the Foundations in the World”, organized by Sabanci Foundation. First of all, I'd like to thank the Sabanci Foundation for honoring me with the responsibility to lead this seminar. I'd like to thank all of you for sparing your precious time and being with us this morning. On behalf of the Third Sector Foundation of Turkey (established in 1993 by a group of leading foundations with the purpose of strengthening this sector), I'd like to thank the Sabanci Foundation, one of our founding members, for their significant contribution to sharing best practices in this field by organizing this seminar.

Some authors refer to this era as the “second golden age of philanthropy”. This morning, our guest speakers and subsequent discussion will attempt to address some key issues in the field of foundations today: What are the trends of this golden age? What are the opportunities, developments, and new applications? How important are partnerships for foundations and what type of new approaches do they entail? We will discuss these questions with leading thinkers in the field of foundations and hear their opinions.

This morning our program will start with an opening speech by Ms. Guler Sabanci, and following this, I will invite our guest speakers to make their remarks. Then, our distinguished speakers and I will engage in a discussion, and then take some questions from the audience

Now, I'd like to invite the Chairperson of the Board of Trustees of Sabanci Foundation, Ms. Guler Sabanci to deliver her opening speech.

## **OPENING SPEECH**

**Guler Sabanci:** Good morning esteemed guests. Welcome to the Sabanci Center. Today, we will listen to two very important individuals with regards to foundations and civil society matters which all of us are most willingly involved in. This seminar, “Global Perspectives on the Changing Role of Foundations” has two important speakers: Barry Gaberman, the former Senior Vice President of the Ford Foundation, and Craig Kennedy, the President of the German Marshall Fund. They will be sharing their experiences and knowledge with us shortly. I'd like to thank each and every one of you again for being here today and for sharing this experience all together. All of us have devoted ourselves to this cause of philanthropy, which we are involved in various degrees.

Our world is ever-changing. International foundation work is changing. International philanthropy is changing. As you all know, we have on one hand the civil society organizations and on the other hand, organizations which make donations. We have on one hand projects which aim to promote civic awareness and on other hand, philanthropic investments and efforts to support the needs of society. Within this rapid change, new roles are being defined. In this process, we are asking ourselves: “Where should we stand with regards to these new roles and what should we do?”

Since the beginning of 2007, we have been trying to establish a new direction for the Sabanci Foundation. We hope to make progress after this conference and the workshop this afternoon. Although all of you know, I still would like to mention very shortly that we, as Sabanci Foundation, were established in 1966 after the death of Haci Omer Sabanci and with assets dedicated by Sadika Sabanci. Today, our Foundation has more than thirty years of history, as of 2007, we have reached our thirty-fourth year. And throughout the years, we've always believed in this philosophy that we should “**give what this land has given to us back to its people...**”.

The Sabanci Foundation has built 120 institutions including schools, student dormitories, cultural complexes, and sports centers in various regions in Turkey. We established the Sabanci University of which we have also undertaken operational responsibility. We continue to give tens of thousands of scholarships. We also give scholarships for schools other than Sabanci University. We organize competitions, festivals, social activities, etc. Our assets are worth about 700 million dollars which we have accumulated over the years. So we are now asking ourselves, “What should a foundation of such size and organization do from here on?” We have started all this with the aim to determine our road map in today’s world under the current conditions. And, we are searching for an answer. We have conducted 3 consultative meetings for this purpose. Almost 100 of my esteemed colleagues, some of which are here with us today, attended and contributed to these meetings. We will need a lot of wisdom, which we will seek at our decision conference later today, following this seminar. We will combine this wisdom with our hearts, and we will reach a conclusion.

I give Sabanci Foundation only as an example. We are all preparing for a new period and to take a new direction. We will all be cast new roles in this new period. We will listen to specialists in this field, who have performed and experienced this work in the world. We are really facing a changing world, yet there is one constant phenomenon. And, that is, to share, to believe in philanthropy and create positive change, and to do this all from the heart. I would like to welcome all of you again, as believers in this field, for coming together today. I hope we will all benefit from this seminar. And, I would like to thank those who have organized this gathering, especially the General Manager of the Sabanci Foundation, Mr. Hüsnu Paçacıoğlu and his team. Once more, welcome.

## **INVITING SPEAKERS**

**Filiz Bikmen:** Now, I would like to invite our guests to the stage. Barry Gaberman has given 40 years to the Ford Foundation, which has the most assets in America after the Gates Foundation with 12 billion dollars. The Ford Foundation spends 500 million dollars in funding each year to support civil society in various fields.

I would also like to invite Craig Kennedy, the Chairman of German Marshall Fund, which for 35 years, has been working to improve Trans-Atlantic relations and dialogue. GMF also opened its Ankara office in 2005.

Welcome Barry, Craig, and thank you so much for being here to share your perspectives on the changing role of foundations. You’re both really experienced professionals in this field and have a great deal of wisdom to share with us on this topic.

I’d like to introduce Barry and ask him to make his opening remarks. Barry will be talking to us about the definition of organized philanthropy the context of foundations and philanthropy in the US, the changes over the past 20 years, different models of philanthropy that we are seeing (like community foundations, venture-philanthropy); and all these different movements that are happening. We’re excited to listen to you Barry.

## **SPEECHES**

**Barry Gaberman:** Well, thank you very much. It is really a pleasure to be here. I have this fantasy that one of these days I’ll be able to get up in front of an audience like this and deliver my remarks in fluent Turkish, but unfortunately that day has yet to come. So, if you will forgive me we will go on in English today. It’s a pleasure to be here. It’s always a pleasure to be in one of the world’s great cities, but it is also a pleasure because this is somewhat a unique experience.

In the 35 years that I worked at the Ford Foundation, I can't remember one single occasion when a foundation opened itself up to the kind of review and scrutiny that the Sabanci Foundation has been willing to open itself up to here, in terms of the process it is going through to develop its program priorities and its strategies. So, what I like to do today is three things. The first is to set the context of our discussion about philanthropy and civil society; the second is to talk about the Ford Foundation and to talk about the foundation and the civil society sector in the United States, but to do that as a way of highlighting institutional change over time, if you will. And, the third thing I like to do really stems from the reality that the borders between the sectors- not for profit, for profit and public- are blurring and the distinctions between the national, international and global are increasingly becoming distinctions without a difference.

Let me start with a bit of truth in advertising. I have essentially spent my entire life working in philanthropy and particularly for the Ford Foundation. So I come to a presentation like this with a bias. I hope it's a healthy bias and I don't make any excuse for being an unabashed booster of civil society. But let's appropriately begin with what a definition of organized philanthropy might be. You all know many definitions out there; religious, classical, linguistic, and historical; and quite frankly I find most of these dictionary-like definitions to be lacking in utility. I prefer a very simple definition of organized philanthropy and that definition is: "the voluntary capture of private wealth for public benefit". I stress in this voluntary because as you all know, the tax authorities in each country collect private wealth for public benefit - but the last time I looked at was partly a voluntary exercise.

Now as such philanthropy has existed long before there was a United States and long before Europe was organized into a cluster of Nation States. It is not today nor has it ever been solely a western concept. But it is true that in each society we put the unique stamp on this sort of work in progress. Philanthropy, and in particular organized philanthropy, has a set of attributes around it. And I would like to take a little bit of time to go through those attributes because it makes a particular point that I hope would be a part of discussions and deliberations later on.

First, because of its accountability structure, foundations can afford to fail in a way it is very difficult for the public sector or the for profit sector. In other words, these are institutions that can afford to take risk. Foundations can take on sensitive issues that public institutions will often shy away from. An example of this was the development of contraceptives in the United States in the early years. Something that neither the for-profit sector nor the public sector would touch. Because foundations are not governed by the tyranny of a bottom line as are corporations they can take on activities that are not sustainable with only earned income and that require some measure of subsidy.

An important but overlooked role of foundations is that they help to sustain services that are desired by a particular segment of society but where there is neither the level of demand nor the consensus necessary to make it a government priority. And this is particularly important in diverse-ethnic religious or racial societies. Foundations can afford to think long term, and recognize that solutions for many complex societal problems are multifaceted and take time. There are very few "silver bullets". Foundations have the capacity to be flexible and incorporate mid-course corrections to programmatic affords in the way that is difficult for the larger bureaucracies of the public sector.

And related to this is the point that foundations can often act rapidly and we see this increasingly in the cases of natural disasters and man-made disasters. In fact in a strange sort of way both manmade and natural disasters often proved to be a catalyst to the growth of institutions of civil society. Foundations can test innovative initiatives and demonstration projects and if successful see that their scaled up.

Foundations can do independent policy analysis- important to “keeping people’s feet to the fire”. And foundations can fund advocacy- a task not often looked on with glee by the public sector. And foundations perform a very important convening role in our society.

Now I am sure most of you could come up with additional attributes of foundations. And before adding a final attribute let me mention just two things. The first is that unfortunately foundations do not always live up to their attributes. They tend to play it safe, often, rather than to take risks. They often stay away from sensitive issues. They can jump to follow the current fad rather than sticking with complex problems that demand long term solutions. And as many of our grantees tell us we have become overly and unnecessarily bureaucratic there by reducing our flexibility.

The second caution that I want to be very clear about is that we can not fall into the trap of thinking that philanthropy and the institutions of civil society are an alternative to the public sector or the for profit sector. The hard fact is that if you need to extract resources at a significant level and to sustain that overtime to a effect large scale societal change there is just no alternative to the public sector and its power of taxation.

What emerges from these attributes that I have just mentioned is a dynamic picture of foundations and the institutions of civil society that they support; is a picture of a sector that goes beyond just the provision of services- important as that is to one that challenges the status quo society. It does this by analyzing programs to see if they deliver on their promises; it does this by suggesting new and innovative ways to deal with complex issues; it constantly holds up a yard stick to fairness and creates a level playing field and gives voice to those who tend to go unheard in society.

We need to be very clear about this particular vision of the role of foundations. And whether this is the vision we are prepared to support. I say this because it is not the only vision out there, altered and it is likely to be increasingly challenged. The challenge comes from those holding a view that essentially says “*The state does not give the benefit of tax exemption to institutions that challenge its legitimacy or the legitimacy of its programs*”. It is an argument with a solid intellectual underpinning and one that we cannot dismiss easily.

Now a final attribute of foundations that I would like to suggest to you is that its primary objective - its mission if you will- ought to be support to the institutions of civil society. I say this because the reality is that for the most part foundations conduct a work through supporting those institutions of civil society. Now the fact that we even define civil society as a sector is a reasonably new phenomena and we are still somewhat uncomfortable with the language. At one time or another we have called this the non-profit sector, the NGO sector, the voluntary sector, the citizens participation sector- often defining by what it is not rather than what it is. And I prefer the term civil society not because it’s perfect but because it is the one that seems to be adopted more and more in discourse throughout the world.

Now civil society is not a new term. It was used essentially by writers from Plato to Putnam. Unfortunately, it was used somewhat differently by each of those writers. And if we can’t precisely define what civil society means I would suggest to you that we essentially know what those organizations are when we see them. These are organizations that provide services often to the most disadvantaged, isolated and marginalized segments of our populations. These are organizations that educate and train us throughout our lives; these are organizations that do independent policy and assessment. These are organizations engaged in advocacy to make sure that people’s dreams and voices and demands are heard and these are organizations that strengthen our awareness, our identity and our enjoyment through artistic expression and cultural understanding.

For many this instrumental descriptive definition of the functions of these institutions would be incomplete for a number of reasons. Let me mention just two. The first is that the picture is incomplete because it doesn't touch on the generic or normative dimension of the institutions of civil society. For many people, the important point is that these organizations welcome participation, sharpen individual's organization skills, promote tolerance and enhance inclusion. To mention just a few of the elements that goes into building social capital. The conundrum is that we all know of many institutions that have none of these attributes which build social capital. In a sense what we might be able to say is that while all the institutions of civil society apart of the non-profit sector, not all non-profit institutions are civil society institutions, only those that build social capital.

A second reason the picture is incomplete is that there are lots of institutions and initiatives that tend to be left out of the definition of civil society. It also tends to be a definition that looks at formal organizations. And formal organizations may only be the tip of the iceberg. What about all those informal associations and voluntary associations that exist in communities throughout a country? Surely our intent is not to leave them out. Finally there is the complexity that we have in dealing with social movements themselves. And one of the important points is that social movements are often incubators of institutions of civil society. But if we have at least a sort of working notion of what civil society is, the next question is: "Why should we care about it?"

If you think back to what happened in Latin America in 1970's and in the movement to create more open and participatory regimes, if you think to what happened in late 1980's in Eastern Europe and the transition to more open regimes, and if you think of what's going on in parts of Asia and in parts of Africa today to more open participatory regimes, it is a fair question to say and to ask: "*What is to prevent the regression that we have often seen in the past to those authoritarian forms that existed?*".

Well, for many people, a vibrant civil society, one that builds social capital, offers the best protection against this kind of regression. Now to be sure, civil society and its institutions have always been there. What is different about this period in history is that we have a conscious sense of being a part of a sector and these linkages reinforce and strengthen the soft power of influence that these institutions have. We live in times when the issues are very complex. The traditional safeguards against the abuse of power in the form of a separation of powers and checks and balances into legislative and executive and judicial functions are often not adequate. The addition of an independent press helps, but doesn't completely deal with the problem. What I offer to you is that the layer of institutions in civil society provides one more safeguard against an abusive power. To be effective, those institutions need enabling environment that comprises of a legal framework that empowers groups rather than shackling them, a tax structure it provides incentives not penalties, accountability system that builds confidence in civil society institutions, the institutional capacity to implement effective activities and the availability of resources to undertake those activities. That is a sort of contextual background.

Let me say a few words about civil society and philanthropy in the United States. In the United States this is a sector that is approaching two million organizations. About 700,000 of these organizations are what we call public benefit organizations meaning not only are they tax exempt but donations one makes to those organizations can be deducted from income tax. Within that we have some 300,000 religious congregations. If you were to add budgets of all those organizations together they would approach something like 800 billion dollars. 10 % of the gross domestic product, almost 10 % of paid employment and that is before you count the fair value of voluntary time, a very important in critical ailment of this sector different from the for-profit and from the public sector.

Now within this large sector of civil society there is slice called philanthropy. In the United States that slice consists of about 72,000 foundations. About 1500 of them are operating foundations, about a 1000 of them are corporate foundations, and somewhere close to 800 of them are community foundations. But the vast majority of them are family and independent foundations. We tend to think about Rockefeller, Gates and Ford and other places like that and think we have a picture of what the foundation is.

The fact is that of those 72,000 foundations only about 4,000 of them has any staff at all, only about 500 of them have assets of 100 million dollars or more and only about 50 of them are really mega foundations meaning they have assets of a billion dollars or more. And by far as you all know the Gates foundation is the largest with assets somewhere in the range of 35 billion dollars. In fact given the (Warren) Buffet money that channels its way through the Gates foundation today it really operates as though it were a foundation of closer to 65 to 70 billion dollars in assets. The second largest is the Ford foundation at 13 billion, so notice the enormous gap between the first and the second. The point I want to make is that that particular view of civil society and of the philanthropic slice is not atypical of the United States. By and large in almost every country you look at you have a few large institutions at the top and many, many, many smaller institutions that make up the base. The Ford Foundation itself started in 1938; it became a large, international institution in 1950 when the estates of Henry Ford and his son Edsel were settled. And over time it wasn't a static institution. Let me give a few examples of how this institution changed over the 35 years that I was a part of it.

When I entered the institution in 1971, if someone would have said to me *“Let's put a gender lens on that problem”*, I don't think anybody in the staff would have known what I was talking about. But the fact is that because we didn't do that we had some horribly ineffective policies. For example, we assumed that most work in rural areas was done by men,- but we later found out that most work in rural areas is in fact done by women. But the point was that we crafted our policies on the assumption that most of that work was done by men. And that's why so often those policies were so ineffective. Let me give you another example. When the first call to work in the field of social justice came down in the Ford Foundation the response primarily was “we don't work on the “soft side” of development, we work on “hard side” of development”. People have to have shelter, people have to have food and those are the things that count. But you know just as we learned that development has to make way for sustainable development; we have also learned over time that development has to make way for equitable development.

Now changes didn't occur just in substance- they also occurred in strategy. When I started working at the Ford Foundation one would have said the important thing is to assess the grant. And what we learned over time was the importance to assess strategy, and that the grants were just pieces of activity which implemented the strategy. And when you did that you did your assessment in your evaluation at a level that was effective- not too macro not too micro.

But changes are always there and no foundation ever lives with its choices at one point in time forever. We have over the years phased out of our work in contraceptive development because the private sector took over that work. We have phased out a lot of work in public broadcasting because the need changed. The need changed from having to find an alternative channel to network television and radio, to now having so many channels that the issue was what kind of content we fill them with. We moved away from working in early childhood development because other foundations grew up that took that on as a specialty. And we changed geographic focus at times closing places where we have worked for many decades – an extremely painful exercise.

Now all foundations have the right to change the priorities but there is also as a responsible way to do this. I would suggest to you that the responsible way has the following points:

- 1) You let your stakeholders know you are undertaking a review and why
- 2) You give them some sense of the time frame you are working in
- 3) You clearly communicate what the outcome is to that review
- 4) You leave the field in a way that does as little damage to those that will stay in that field and continue to work there as possible- even if this means phasing out of your time and not being able to fully engage in your new initiative immediately

Ten years ago if I were asked to talk about trends, I probably would have said essentially what was going on in the United States and then I would have extrapolated that to the international scene. Today the trends may differ in pace, in different national settings but there is no doubt that they are essentially global. And let me review a few of these global trends with you. Many of them both have a plus side and a negative side.

We are blessed today with a plethora of models of organized philanthropy that go beyond the traditional model of an institution endowed in perpetuity. There is a very robust give-while-you-live movement which essentially says *“let’s throw the maximum we can at the problem we face today. Others in the future will do the same and perhaps we can solve some of those issues”*.

There is what an unmistakable a global community foundation movement. In the last couple of years we passed a water shed in which there are now more community foundations outside of the United States than inside the United States and these community foundations are redefining community in ways that are different than just place-based.

It goes by many, many names but there is an exciting new phenomenon out there- I call it venture philanthropy- an attempt to consciously take from the business side and the business model, principles of venture capital and apply them to philanthropy.

And I think that there is a shift in emphasis going on among operating foundations to increasingly take on more grant making as part of their style. Important because the latter does more to build institutions of civil society and their capacity for the very simple reason that they needed in order to implement the programs.

I also think that corporations are more and more thinking beyond the narrow attempt to directly relate their giving to the bottom line. And picking up a longer term notion of how one connects the giving of the corporation beyond the shareholders to the stakeholders of that corporation.

Now what is interesting to me is if you read the literature about philanthropy it is full of the venture capital philanthropy folks saying they wouldn’t be caught dead, doing what the traditional foundations do, the give-while-you-live-movement saying you got to have a sunset, you can’t be in perpetuity. I read in The Wall Street Journal which ended in the interview the Gates foundation with the quote that said *“the last thing the Gates foundation wanted to be was like the Ford Foundation”*. Now it was a pretty bland article so my assumption is that the reporter needed to end with the zinger of a line and that’s why he put it in there. If that’s the case, we are to educate that reporter that not only there are more models out there, but we’re also adding to our tools.

We’re going beyond operating programs, doing project support and doing core support. Increasingly we’re talking about endowments and endowment related grants. We’re talking about soft loans, guarantees and equity positions as ways to accomplish our program objectives by using methods other than just grants.

Methods that may be more appropriate to particular kinds of activities like micro-enterprise, for example. And, we're beginning to talk about how in fact we engage in mission related investments within part of our own portfolios. And, what's exciting is there's a recognition now that you cannot let what you do on the program side of the house be negated by what you do on the investment side of the house. A simple example: a foundation, whose primary concern is health among youth, probably should not have the majority of investment portfolio in tobacco firms. A simple and probably obvious example; they tend to get a little more complicated as you move on from that.

Technology: Technology is fascinating because, it does three things. When Franklin Thomas entered the Ford Foundation in 1979, the Ford Foundation was an organization of 850 people making 100 million dollars worth of grants. By the time he left, 17 years later, we were an organization of 500 people making 600 million dollars worth of grants.

That could not have been done without the revolution in the workplace that technology brought to us. Technology also, strengthens the impact of many traditional methods. Example: giving circles (small groups of individuals that pool their money and give together for a common cause). Giving circles had to remain somewhat small, face-to-face kinds of enterprises in traditional society. With technology, giving circles can expand in much, much broader ways and encompass much larger populations. And finally, technology in fact brings new forms of giving. I will probably never do my giving over the internet. My children will do a fair portion of their giving over the internet and my grandchildren will probably do all their giving over the internet.

Accountability and transparency: We're moving toward this becoming the rule, and not the exception. And I would suggest to you there really are three tiers. The first is the government level, where a set of regulations are put into place that can in fact be enforced. The second is the sector level, where series of good practices are put into place and codes of conduct that we ought to adhere to. And the third is really at the organizational level and that's the governance and the board and that's where the governance and accountability come together. Now, often when things go wrong, we tend to look very quickly at the regulations and at the ethical practices and suggest that there's something wrong there. And, I would tell you that looking at a lot of abuses that have occurred in the United States and in Western Europe, my own feeling is that about 90 percent of them occur, because the board is asleep at the switch or it does not understand what its duties and responsibilities are, not because there is an inadequate system.

Now, I'm getting messages that I need to bring this to a close so let me bring it to a close by going to one other point, and we can pick up other things in the future. One other point and that's to just talk very quickly about impact.

Impact: If, in fact, accountability was the watch word of the late twentieth century, impact is the mantra of the new millennium. It's important because in increasingly resource-scarce situations, you have got to be able to show that you deserve the tax-exemption you have because of the impact that you have in terms of public benefit. The problem is that in order to assess impact we will count what we can count instead of count what really counts. And, we will somehow diminish the importance of qualitative search. So, while it is important to quantify impact, let's not let it keep us away from what the big problems are, that often defy quantification. And, finally, let me just suggest that, as a way of ending, I think we reached a happy medium where we'll go beyond equity versus excellence as a dichotomy, to seeing for what it really is a false dichotomy and in fact to the realization that diversity enhances excellence. It's the right thing to do and doing the right thing never needs special justification. Thank you.

**Filiz Bikmen:** Thank you very much Barry. You have given us a lot of food for thought. It was fascinating to hear about the kind of transformation that the Ford Foundation has undergone, and I think that the Ford Foundation is a really good example of how a foundation can adapt to the changing needs of the society even though the foundation exists in perpetuity.

Without further ado, let's listen to Craig. Craig's going to talk to us about experimentation and innovation. Craig suggests that we need to rethink foundations, and that it's not just about financial assets; Foundations in fact have a lot of other assets to offer. He's going to tell us about new donors and the new generation of philanthropy; efficiency within foundations and professionalization of staff; and, finally, about some of the global challenges that have changed the way the foundations have worked. I think that German Marshall Fund has a lot of good anecdotes and projects to refer to in this context.

**Craig Kennedy:** Well, first it is a real privilege to be here in Turkey. 12 years ago I made my first visit to this country and I really just became so captivated by the country, its history, frankly, even it's politics at times. It took me 8 years to convince my Board to create an office here, but we did so 4 years ago. We're in the other large city in Turkey. And, we've never regretted it. It's been very, very important to be a part of the really exciting developments, here. Also, it is real privilege to be on the same stage with Barry Gaberman; it's a little bit like a school boy being asked to play on the same football team with Pele or Ronaldo; I feel very humbled to be up here. And finally, I just would like to reiterate what he said. This experiment, this discussion that the Sabanci Foundation is having is something that really sticks out. I have spent a lot of time working with new donors in the United States and in Europe and very few of them have the self-confidence, the commitment, the openness to do this kind of process of talking about priorities. My job today is to talk about the changing role of foundations. And what I want to talk about is this wonderful period of time we're in. There is this sort unprecedented period of creativity, innovation, experimentation going on in the world of philanthropy, not just in the United States, but in Europe, in other parts of the world, I would even say, here, in these kinds of events. And, this is part of that process.

People are starting to think about foundations in different ways, not just as places that hand out checks, but that have some kind of bigger, more expanded role, it has different kinds of assets. Let me just quickly, do a history of philanthropy that really spans the time that Barry and I've been in the business. When I started out in 1980 at a foundation in Chicago, the typical foundation executive in Chicago was an older man, who made a lot of money, who stood behind a desk, listen to people who came into his office, and he would write out a check if he thought was a good idea. It wasn't more complicated than that. Barry and I were really part of a next phase, which focused on how we professionalize the business, and bring people with PhDs, with MBAs in to it to make the evaluation of ideas rigorous and also make the process fair.

We were part of a time when there was a huge emphasis on trying to make sure that all eligible organizations would understand the process by which they could get a grant from your foundation and would understand the rules under which money was given away. We emphasized being equitable to a high, high degree. That period really spanned into the seventies and well into the nineties and what we saw was a dramatic change in the way that many of the largest foundations in the United States and Europe began to operate. It did create a sort of bureaucratic class of professionals, people like Barry and myself that have spent most of our careers working in this area, who on one hand created a strong set of experiences, and knowledge on how to do this work, but also may be built up a certain prejudices about how it should get done. Now we're in a new phase, a new phase that I think, is really marked by four special trends that have changed the face of philanthropy in many places.

The first is the survival of a group of new donors, Bill Gates, in Germany the Bertelsmann Foundation with Reinhart Mohn, the Google guys, a hundred and one other people you could site, many entrepreneurs who came into this business; they did not know about Barry Gaberman, Craig Kennedy, they did not know about all the rules that you were supposed to follow to be good grant-maker. They were focused on “how do you make a difference?”. And, sometimes this is a little jarring for those of us that have been in the business. They don’t tend to pay as much attention to equity and fairness. They want to make a difference, and they have a drive that is unusual and frankly brought new energy to the business.

Alongside these new donors, we’ve also had a group of people in the business, really questioning maybe whether or not we did make a difference in the old way. They’ve questioned the effectiveness of the professionalized foundation. Can you really show that you’ve accomplished something? Well, sure. Ford, and the foundations I worked at, we can all site our successes.

We can also, we don’t do this as often, site our many, many failures. Or even worse, the places where it wasn’t that we did something bad, we just didn’t do anything after spending a lot of money. So there’s tremendous amount of questioning about the effectiveness, and I think, the efficiency of philanthropy.

The third big trend was the internationalization of philanthropy. In the last four years, the amount of money going from US foundations outside of the country has doubled. Now on one hand there’s the big Gates effect, but there are lots of other donors that have suddenly decided that the broader world is something that they should care about. In Europe, you see absolutely the same trend: a rapid explosion in interest of going outside their boundaries, giving in places that don’t have well-developed NGO sectors, giving in places where maybe those sectors are weak. And then finally there is a whole new set of issues that are challenging philanthropy. AIDS, climate change, conflicts in different parts of the world that go beyond borders. All of these have forced foundations to think about new roles.

And, what are some of those new roles? One is foundations directly intervening in problems. They take on the job of being not just the grant-maker, but also the grant recipient and the implementor. You can see this in many parts of the United States, where you’ll have very active donors that are trying to rebuild our older cities, they get deeply engaged in actually doing part of the business. You see foundations increasingly playing a role as convener and a gathering like this today is typical of that, but where they’ve recognized the foundations have this power to bring together the most important people in a community, in a county, in a region to talk about crucial problems. And that this convening power gives them leverage, gives them the ability to shape the agenda of other donors and of other political and other entities in the world.

An extraordinary emphasis now in the United States and in Europe is collaboration among foundations and foundations and governments working together to achieve efficiencies by pooling the resources and pooling the ideas, focused on a single goal working together and doing it as a common project. And then finally, there’s a whole set of foundations that have decided that in fact rather than make grants to researchers, they will become the researchers themselves. You see an entity like the Bertelsmann Foundation in Germany, that has single handedly taken on the job of becoming the critique of German public policy of challenging the way things get done. But, you’ll see this in many other places and countries around the world. Now, this is all especially important for my foundation. I came there twelve years ago and frankly we were in a state of crisis. We had some financial issues we had to address. But, more than that, there was a sense that the foundation was lost. We had money, but we didn’t have ideas and we didn’t have a direction. And, we went through a very serious period of introspection.

We didn't do anything as thoughtful or as intensive as this exercise today, but we started to going out and just talking to people, asking "what have done right, but most importantly, what have done wrong?". We spent a lot of time with our Board, we had exceptional Board members at the time including Bob Zoellick, now Head of the World Bank, and a number of other people. And, what they did was two things. First, they forced me, and our staff to actually create clear goals of what we were trying to do. And, believe it or not, very few foundations, when you really push them have clear goals. Questions such as: "What is it you're trying to achieve? What is it you want to do at the end of the day? What difference do you want to make in the world?" I know it sounds strange, we talk all the time about our objectives, our missions, but when you boil it down in so many places, it's not there. Well, they forced me to do that.

But, the second thing is they said we want to address this accountability problem, that Barry talked about in a very unique way. We don't want to ever undertake a program unless you can convince some other donors to be part of it. You have got to show that there's a market test, and it doesn't have to be right from the beginning.

My role is often really to put up money in the beginning to get something started, but over time you have to show that your idea was a grant-making idea, or an operational idea, has enough credibility that you can convince some other people with money to join in. and, let me tell you, this has changed our lives. We have gone through a period of restructuring our staff, rethinking of what we're doing, and then, we went out and started to implement this new approach. And, what it's meant is that we are an institution now that, yes it is still a grant-making institution, we have an endowment, not as big as either Sabanci or Ford, but we have an endowment, that's okay, we've been very successful in investment, but we try to blend our grant-making with some other things.

Now first, let me talk about the grant-making. Some of it is very conventional. We give money to think- tanks and different advocacy groups in the United States, in Europe and including here in Turkey. It's done through a very conventional process. People send these proposals, we evaluate them, we keep a check. But, 80% of our money goes through intermediary funds that we've created to address civil society in different parts of the world. So, for example, five years ago, we created something called The Balkan Trust for Democracy that we did with the Mott Foundation, I think Walter Veirs is here today, but we also has the US Government that was part of it, we had four European governments that have been part of it and now six foundations that all have contributed money to a common intermediary pool to give away and support in the Balkan region to try to avoid the kind of inter-ethnic conflict that was so prevalent in that area in 1990s. But more importantly, to build up a society structure much like what Barry was talking about.

Now, why did we do it? How did we get in that business? The fact is that creating these kinds of pool funds have tremendous advantages. They are efficient, they are focused, you can really accomplish something through them that's hard for an individual donor to do, but they take forever to put together. It might be easier here in Turkey where everybody gets along, but if you're trying to get a group of American foundations to work together, it takes a long time. Some are little proud, some have tough ideas, some have very specific interests. The only people that can actually pull these together are people with deep pockets that are willing to spend money, that have a long- term commitment and are really be patient. And, maybe I'd emphasize patience. Because you have to spend lots of time talking to people, convincing them, bringing them along, but at the end of the day, these kinds of collaborative funding arrangements can be tremendously successful.

We've actually now created two or three others including a new one called the Black Sea Trust, which is based in Bucharest. It is actually going to be funding throughout the greater Black Sea region.

All of them have taken about three to four years to put together, but at the end of the day they really can become quite extraordinary places. We do convening. We use our network of grantees and other connections in the United States and Europe to focus attention on key problems. Sometimes they are very local and regional. We've done a series of meetings around the so called frozen conflicts, things like Nagorno-Karabakh in the South Caucasus, trying to get American and European policy makers and foundations focused on how we can unravel these very difficult challenges. Sometimes they are focused on very big issues. We're going to be doing a series of meetings on climate change and how the United States and Europe can work together more productively than they have in the past. Now, why are we doing these and not making a grant? In these cases, it is because we actually have the infrastructure and the ability to organize Trans-Atlantic meetings in a way that very few other institutions do. But, in some cases, in fact we still do make grants there to do the convening. We always make a choice. We always sit there and very consciously say: "Are we going to be the best people or is there someone else?"

There's a third and final area that I want to mention, and then I am going to let you get to the discussion, which is leadership development. One of the really important things that foundations can do is be the people that invest in the next generation. And it's not just in primary and secondary education; it is not just the extraordinary universities that have been created in this country. It is also about how you start educating younger politicians and journalists, make them more aware of the world and of other places and of other political systems. We have a program, the Marshall Memorial Fellows Program, which brings young politicians from Europe, including Turkey, to the United States for four weeks. We give them sort of a crash course in American political life.

A lot of people think that part of it is to make them pro-American and I just point out that about 80% of them are very anti-American when they arrive in the United States and they still are when they leave, but now they have real reasons for being anti-American. They actually have real evidence to back up their prejudices and in a serious way. But, in fact this program has been quite successful. The Prime Minister of Poland, Portugal is part of it. Several members of the new Polish Cabinet are part of it. Five members of the last Danish Cabinet are alumnus of this program. Here in Turkey, we've just being going for a year, too, but if you look at some of the younger members of the Parliament that were elected in the last election they come from the program. We take this leadership development idea and we extend it further we try to keep pulling different people together and giving them different experiences over a lot of periods of time. So we'll go back to someone like a young parliamentarian here in Turkey, and we'll involve him in other conferences and other meetings to try to capitalize on their learning experiences.

Now, I can talk about some of these other new roles that we've gone into – But that is frankly a more complicated story than this. Let me talk about some of the problems. Sometimes we get into things when we've made a bad decision. We really should have made a grant -we should not have tried to do ourselves because when we do, we almost always fall very flat on our face.

I think one of the things that I've learned is most important about the foundation world is to admit when you are wrong and then cut your losses and get out. So often foundations, rather than saying they are wrong, spend more money, spend good money after bad, because they do not want to admit that they've made a mistake. The most powerful thing a foundation can say is; "You know something? I was wrong. It was a bad idea". And I have to say, it sends such a message to other organizations, the people that you make grants to and others when you can admit that you really screwed up.

Secondly, accountability. Some people say; "My gosh", while you're out trying to convince other people to fund these important projects you do as part of this accountability, this rule of crowds that we use, the important things are going by the wayside.

They say, “Why doesn’t the German Marshall Fund just take its money and say this is the right thing to do, get out there and do it?” And yes, sometimes we become too sluggish, maybe unresponsive, because we are trying to convince other donors to part of it. But, I’d still stand by that this is a pretty good test. Foundations are very unaccountable institutions unless they appose some accountability on themselves. Having this test, of having to go out and convince others to be a part of your ventures is a very important side of it.

And then, finally, we do run into this very strange situation where we’re sometimes competing for money with the people that we’re also funding. And people often ask, how do you unravel this kind of an arrangement, how do you deal with this. And the answer is, by being totally transparent: We explain exactly what we’re doing, where we get our money from, what we’re trying to do with it, and being very open to criticism.

Once a year we invite a group of our grantees to come before us and complain and tell us what we've done wrong. And let me tell you, there is nothing that makes you happier than spending a couple hours with people complaining about you. You come away and you feel so good the rest of the day when they’ve gone that you are really energized and ready to go. Now I just like to conclude with this. All of you that are here from the Turkish foundation sector, this is a country that in a very large way is going through a period of transition and innovation.

There’s change going on here that I think is quite extraordinary -in your political life, in your cultural life, and certainly, in your economic life. This is a time for all of you to be willing to think a little bit unconventionally, to think a little broader to take some chances, to do some experimentation, to do some innovation. This really would be in keeping with the really extraordinary environment of this country right now and I think it would be a perfect way to move into the next phase of this country’s development. Thank you.

## **DISCUSSION**

**Filiz Bikmen:** Thank you so much Craig. That's a very inspiring note that you left us off on. I think one of the most kind of compelling themes in both of your presentations is this process of change in the different ways in which you engage with civil society organizations and there is this common understanding that that engagement is at the core of your work. So whether you’re making the grant or whether you’re running the program yourself, you’re constantly engaging with others; and, not doing this in your own periphery.

I really applaud the work of the Trust for Civil Society in Central and Eastern Europe, which was about 65 million dollars, of an investment for ten years? And, I think you’ve allocated twenty-five million of it so far, the last I heard. And this is something that the Ford Foundation and the German Marshall funded together with a few other partners. So, I’d like to ask you both to get your own opinions, honest ones, on how that experience was. Because I think that’s a really a good example to talk about really two big foundations bringing together, also the Mott Foundation, the Rockefeller Foundation, a group different actors creating a local team. The Trust is based in Poland, so you have a number of people working there, that’s been allocating the money that was put in by all of you. So, we can start with Craig. Can you tell us about how this project was conceived and how it’s going so far?

**Craig Kennedy:** Actually, the person who came up the idea was Bill Moody of the Rockefeller Brothers. I think he was the first person to really talk about it. But, what was interesting is that this was a collaboration that actually came up of a set of a pre-existing set of relationships. In 1990, GMF, the Mott Foundation, the Rockefeller Brothers, Ford at the time, a number of other funders started developing something called the Environmental Partnership for Central and Eastern Europe.

This went on about, though it's still going on but, it went on as an active partnership for about eight years, ten years. And what was great about it is that it gave this group of foundations a chance to work together, to get to know each other and frankly, to trust each other. If there is any big barrier to collaboration it is trust. Now, has the Trust for Civil Society been perfect? No, but I'll trust Barry to talk about this, he was actually on the board. But, as a big, bold experiment to try to address something, I think it was extraordinary. It was not easy to put together, there were a lot of starts and stops. We were a very small side of it in many ways. The really big players are up in society and Ford, but it's not something that I would regret doing. It's presented some real challenges. And part of the challenge was integrating some new donors into a group where there were some very strong pre-existing relationships, high trust with some new people that you had to test out. But, overall, I think it's worked, right Barry?

**Barry Gaberman:** It is really interesting because, at its inception, there was an opportunistic quality to it. And, that was that AID (USAID) said that it wanted to pull out and it wanted to leave a fund behind, about a hundred million dollars; it was willing to put up fifty million of that if a collective of private funders could come up with the other fifty million. So, that in a sense, we sort of smelled the money, were opportunistic, and we went for it.

Now, we engage in probably two to three years worth of discussions, only to have to face each other at the end when AID said that they weren't going to do this. And, there was an enormous amount of investment in time and in discussion. So, I think one of the really interesting hurdles was that at that key point when AID dropped out of the picture this collection of funders had spent enough time together that it sort of said, "OK, we're not going to let this get away from us". And a number of the funders, OSI, Ford, and others, kicked in more than they had originally intended to kick in; and said, we will move on it alone. It actually is something in excess of sixty million dollars, but all from now private sources as opposed to what would have been a half from that (USAID).

That was one point, and I think that the point that Craig was making, that you've got to work together, you've got to build up trust, and when you do that you also build up a vested interest, and not letting it fall apart and get away. Now, I think that the Trust did something else that's very very difficult to do. And, that is, it found after several years of its programming that it had a programmatic strategy that in fact was not connecting very well with the clients. And a routine review process really highlighted the fact that there was a fair amount of disenchantment over the way that the Trust was moving. And, this collection of funders, at that point in time, was willing to make the direction change, to bring in new leadership, and to change the strategy behind the Trust's operations. And, one will see over time if that in fact that was a good move. But so I give it to the two historical points when it faced a decision and because the groups have worked together for some time and had a vested interest, they were willing to stay on course for the longer-term objective.

**Filiz Bikmen:** So, would you say that at Ford you could have easily decided that the Central and Eastern Europe over the past ten, fifteen years Ford, GMF, Mott, you could have all also achieved these objectives on your own? Looking back, do you think it made more sense and how did it change the way you actually work on the field? What kind of impact do you think it made there and did you see that it was an example for other donors in Central and Eastern Europe, a place where civil society is just developing, not a lot of local philanthropy, much more embedded foundations in a place like Turkey as opposed to that region of the world?

**Craig Kennedy:** Let me speak from some perspective that I have a little bit more experience on, which is the Balkan Trust for Democracy, which has a similar structure, except that it brought Government donors into it. I think that what we've really been struck by is how many local donors now may not contribute to the Balkan Trust, but use it as a source of advice.

There's a really major foundation that's growing in Bulgaria. And, they've used this very much as a source of advice and inspiration. There's actually of the edges of the Balkans, there's a very major foundation in Austria that's developed. And, they draw heavily on the work of the Balkan Trust for Democracy for much of the work that they're doing in the region.

So these collaborations, because they in a way they symbolize that five or six or ten donors have all said, "This is a good idea, this is an important region, civil society is a good thing"- that has a magnet effect; and brings other money into it. Now, these are not easy things to do. I want to emphasize this. You know, don't try this at home without preparation. It's a very complicated thing to pull off. But, when they work, they can have that magnet effect and it's a very powerful one.

**Filiz Bikmen:** Lucy Bernholz is a critique, a very experienced consultant in the area of strategy and foundations in the US and I happen to come upon a piece from her called "Designing New Foundations" that was published in the *Stanford Social Innovation Review Blog* actually. And, she came up with six points that challenged foundations about how to think about things differently, and one of them, actually several of her points, touched on this kind of collaboration experience. And one is that she thinks crowds make better decisions than individuals, diverse crowds make the best decisions, yet.

So, in a sense it seems that this trust and these types of collaborations, the Balkans Trust, now the Black Sea Trust are ways to also bring in other ideas, you're hiring I'm assuming local people, at the site?

**Craig Kennedy:** Almost always.

**Filiz Bikmen:** And that's probably building some capacity?

**Craig Kennedy:** Yes, but if you want to find the really great tension, between this part of new philanthropy- collaborative, crowd-oriented, "let's pool our resources" - and the other new philanthropy- the new entrepreneurs who are coming in the business. This is it. Because, when you meet these, generally younger men and women who've made billions of dollars, they are the more conventional part of new philanthropy. But, it is a really interesting tension, and I think especially, when you find, and again I don't know if this is true in Turkey, but there are still living donors that have made the money. It's often hard to convince them that it's good to work with others. They built up a company; (the reaction is generally): "Darn it I'm not going to share, you know, the philanthropy of that work with others".

**Barry Gaberman:** I think Craig has his thumb right on the issue. The fact is that the discipline that allows you to accumulate the wealth in a business environment may not be exactly what's required to solve a social problem like teen pregnancy, or what have you. And, when that group fails at that, the trick for us ought to be to find welcoming ways to keep them in the tent so that they don't go away. Because, after all, the impulse is the right impulse. They wanted to give something. They were lucky, they felt fortunate in society and they wanted to pay back in the sense of doing something for society. And, that's the impulse, that's the one we want to capitalize on if you will. But, it is hard when you have to deal with folks like that. That's what makes the interesting experiment with Buffet so unusual, because, Bill Gates in fact created a fairly traditional operation. It's not traditional because of its scale. That just blows you out of the water. But, the interesting thing was Buffet took from his business side something he had learned, which was "I am investing in good companies, and because they are well-run companies, the last thing I want to do is mess around with what made them successful" and what he said in his philanthropic business was exactly the same thing.

He said “Why should I build from scratch, a structure in an area that I have no expertise in, know nothing about when there is one out there that I trust and I can use, just as I invest in good companies, and not, if you will, mess up the whole thing?” So, that was the sort of exciting that Buffet did.

**Filiz Bikmen:** What's happening in Europe? I'd like to ask you both to reflect a little bit on these changing roles of foundations. Obviously they are very context-based, the way that the foundations may be beginning to change in Turkey is very different from the way that they've been changing in the US. This Buffet equation, would you see it in Europe? Are some of the huge Italian foundations with millions and billions of euros as a result of this banking law change, what are they doing? Are they thinking about philanthropy more like business or what are some the changes you're seeing there? What kind of parallels can we draw?

**Craig Kennedy:** Well, I think you're seeing two or three kinds of changes going on there that are really extraordinary. First, there is this tremendous growth in philanthropy in Europe. A big chunk of it is in Italy because of these large bank foundations. And, a few of them are really extraordinarily professional, smart, innovative places. Compagnia di San Paolo in Turin, Italy, frankly operates as well as many of its American counterparts. They haven't quite acquired all the staff that they need to do their ambitious plans, but they are very thoughtful at strategic grant-making.

On the other side you have a foundation like Bertelsmann (Germany) that decided when it was founded to largely be an operating foundation and now it has decided that it needs to add some grant-making to its tool box, that it can't have all the expertise it needs, all of the knowledge, all the abilities inside and that it sometimes makes sense to make grants outside.

You have four or five other places that I could mention which have similar trends. But overall, it's just a very exciting time, it's a good time to look at Europe, because frankly in some ways, the trends there, it's not quite as crowded and chaotic environment as it sometimes can be in the United States and you can see the trends somewhat clearer there.

**Barry Gaberman:** Well, you know, it is not a single thing as Craig says that's going on. In some national settings, there is a vibrant community foundation movement going on, very exciting. And, that's both east and west Europe. I mean, after all, ten years ago in Germany there wasn't a single community foundation with 1996 the first one in Gutersloh. And, there are either operating now or on the drawing boards almost a hundred of them.

**Filiz Bikmen:** Could you define for the audience a little bit about the community foundation? What makes them so different than Ford, a Mott Foundation?

**Barry Gaberman:** The standard model of a community foundation is it connects the community in a sense of being place-based. And, usually that place is a town or a city. And, what it says is "we are going to draw our sources of support from multiple areas within this community and we're going to use it to take care of the needs of the community as defined by a board that's made up of the leaders in the community and connected". Now, that's the standard sort of model. It is adapted in various places in various ways, defining community differently, and thinking of larger areas when you move into rural places and things like that. But, it very much also works on the premise that even in the poorest communities, there are resources that one can pull on and use. And, it doesn't have the single wealthy family or donor as the engine. Yet they may contribute, and may start a 'donor -advised fund', or something like that within the community foundation.

That particular model is coming to fruition at a number of places, East and West Europe. In other places, interestingly enough, it's been the corporate sector that's been much more the engine and the energy behind the philanthropy and pushed it. And, in other places, you've had key individuals of wealth. Places like Russia, they often remind us of the United States a hundred plus years ago when we went through this era of what was called the "Robber Barrens"- individuals that made great wealth in what some people considered slightly dubious ways and people thought they were sort of salving their conscience by building these philanthropic structures later on. So, there are a lot of things. But, also, what's going on is the beginning of a generation of transfer.

There's a leadership change going on from an older generation to the next. And, this new generation that's coming in has a tendency of being much more outward looking, willing to think beyond its own borders, willing to be more open to diverse voices as part of the decision structure and willing to be supportive of the beginning of a kind of infrastructure out there of a philanthropy. And, that's a global sort of phenomenon that we ought to highlight at some point.

Increasingly around the world, you have associations, philanthropic organizations, and civil society organizations, you have support organizations that provide technical and other kinds of expertise, you have publications that are out there that will spread information, you have increasingly research efforts that are beginning to let us know what the magnitude is, not just in sort of a large brush stroke to the national, but when you disaggregate it and look below, in regions and sectors.

The one sort of comment I'd make about that growing infrastructure of philanthropy in civil society is that it is very difficult to get foundations to stay in the course in supporting it. And I find it so interesting because if you're part of the business sector, the notion that you wouldn't support a series of institutions that represent you, provide information to you, or provide services to you, it is just unheard of. They are all over the place. Yet, we haven't quite managed to see that as a self-interest that ought to be taken care of almost by sort of a self-taxation where everybody puts in a little bit of money and doesn't fall to just to small number of foundations that have to pick up the lion's share and others get a free ride.

**Filiz Bikmen:** That sounds a little bit like what's happening at the European Foundation Center, which TÜSEV has been a member of, Sabanci Foundation, Koc Foundation, Dogan Foundation also members. A big challenge getting the European Foundations to contribute to the EFC, which is a membership organization, a support organization, it's been around for almost twenty years, and most of its money, for its support is coming from American foundations. So it seems the Americans at least have somehow come to peace with kind of value this offers. Maybe that's slowly starting happening in Europe as well?

**Craig Kennedy:** I think so. But it also gets back to, I guess, the story of philanthropy that I told. Barry and I were part of a generation, where it was sort of pounded into us that it was good for a foundation to give money to The Council on Foundations, to regional donor groups, may be two or three others - Independent Sector of the United States or The Foundation Center. It was sort of drilled into us and you were ashamed if you didn't do it. I don't think that there's been that same tradition until lately among European foundations. I think it starting to take hold now. You're considered not, I won't say respectable, but, you certainly have a higher status if you're generous, supporting of the national group and others. But it took a while. You know, and I think there is a lag time.

## QUESTIONS & ANSWERS

**Filiz Bikmen:** So, I'd like to just wrap up our discussion a little bit and give an opportunity for some questions from the audience may be one or two people have some burning questions for our speakers. So, maybe we can take those.

**Pinar Aran:** May I ask a question for Mr. Gaberman? My name is Pinar Aran and I am the President of the Foundation for Children in Need of Protection. I just would like to learn about the ratio of the projects you contribute long-term compared to the short-term projects.

**Barry Gaberman:** A great question. I would say that probably, in any given single year we're an institution that makes about 1,800 grants a year. It used to be more, we're cutting back. We give away more money, but larger grants. So, of those 1,800, my quick thought would be about 2/3 of those are to continuing activities with institutions we have a track record with and about a third will tend to be new. So, that's the rough sort of ratio.

**Filiz Bikmen:** Any other questions?

**Didem Altop:** Just a follow-up question. We debate a lot about the size of grants actually in terms of both short-term and multi-year grants as well. It's a simple question with complex repercussion. What do you consider a small grant and what do you consider a large grant and what influences your decisions?

**Barry Gaberman:** It obviously has a lot to do with the institution. In the Ford Foundation we have a very decentralized decision-making structure. The Board sets the annual budget and sort of the policy guidelines. It makes no grants, in terms of approving grants. It then delegates to the President the authority to actually make the grants within keeping of that annual budget and those guidelines. The president of the institution then does a secondary delegation and gives to the six directors of the programs in the United States and the twelve field directors around the world to make grants of up to 200,000 dollars. So, in our system, I'd say the cut-off point is about 200,000 dollars. Anything under that we would call a small grant and anything above that would be a large grant. But, in a different institution, they could very legitimately say 25,000 dollars was the cut-off point.

I want to make a slightly different point though, as a general statement. Even though you might be a grant-making institution you might have very different operating styles. For example, in the United States, the Mellon Foundation prides itself on being a foundation that only has what it says is around 7 or 8% in overhead cost and 92- 93% of its money goes out on formal grants. The Ford Foundation is on a 80-20 basis, about 20% on overhead and about 80% on grants. Now, it's not that one is right and the other is wrong. There are different styles and there are consequences for that style. In the Mellon case, the good news is that you got 92- 93% of the money out. But, because you have a very modest staff, you have got to make fewer grants, you've got to make larger grants and you have to make grants to institutions that have a pretty good track record. In our case, because we have so much more staff capacity, we're able to make more grants, to make smaller grants and to make grants to institutions that may not have anything more than start-ups and riskier, because we can get out there and monitor those. But the consequence is 80% goes out, not 92%. And, I don't there is a right or wrong. I'm glad both are in that system.

**Craig Kennedy:** Well, we make lots of small grants, because we do have this investment in creating civil society in places where it's not well developed. So, for example, in a country like Bosnia, we will make lots of thousand-dollar, three thousand-dollar grants. It's frankly, part of what GMF and Balkan Trust for Democracy have specialized in. It takes a lot of staff time to do it.

There's a lot of accounting and overhead to pull it off and we see that as one of our contributions to the field. Now, we also do, engage in multi-year support (which was the other part of the question). And I think that's one of the most interesting dilemmas that you can have. We have a set of grantees from the substantial level for ten years. And, to be honest, there's a high degree of trust there, but there's also a high degree of complacency on both sides. We didn't question them enough and they didn't tell us enough about what they've been doing. And, we're actually going through a period now of really reviewing a lot of those long-established funding relationships. On one hand, I know from also running an institution that receives money, there's nothing better than a multi-year commitment. But it also takes away some of the accountability on both sides. Both sides can sort of forget about the relationship, cut a check each year and say "we're doing good" without really questioning the relationship and the purpose of the grant and the effectiveness of what you're doing.

**Barry Gaberman:** A couple of points. We've really struggled with this. Small grants are terribly important. The way we would operate that would be different is we would say, "let's make a grant to an intermediary like the German Marshall Fund or someone else who has the capacity to do that because we're just not going to make grants at the five thousand-dollar-level". Multi-year grants : we have something that's a little controversial in the field and I must say, I'm not completely sure in my own mind how I come out in the assessment. We made a decision that our program staff would only be in a position for six years and would have to move on. Now, they might move on to another position within the foundation or they could move up the ladder or they could leave. And, the purpose behind that was that we felt every six years or so, a new program officer in that field of work taking a look at the array of institutions that are being supported with a fresh set of eyes was important and helped us to deal with that issue that Craig has said. Unfortunately, there are consequences to that.

You're constantly recruiting and in a turn-over mode and so there are costs to it and depending on which day of the week you catch me on I can blow hot or cold on the experiment. But, that's one way that we tried to deal with the complacency factor in multi-year grants and long-term support.

**Filiz Bikmen:** And, I think the whole community foundation movement, too, is pointing to this need for larger donors to be in touch with smaller community foundations that can accept that money and give it away to the groups working in that immediate region. We actually have some people from one of the first community foundations we're trying to establish in Turkey, here today. Can I take another question?

**Dilek Sabanci:** I am a member of the Sabanci Foundation. I would like to ask a question for both the Ford Foundation and also the German Marshall Fund. For what kind of activities are you giving grants in general?

**Craig Kennedy:** We give grants for, I think, three areas of activity. One is we support a whole set of think tanks, policy research groups in the United States and in Europe on variety of topics from policy, economic policy, immigration, a variety of things like that. The second is really civil society groups. And, I would say in the Balkans a lot of it focuses on 'How do you make local governments more responsive to people', so a sort of citizen participation. It focuses on inter-ethnic relations: 'How do you make sure that the Serbs and Croats are not going to kill each other, but actually live side by side, a more or less peaceful life'.

And, the final thing is we've made a real investment in leadership development, both internally with the things we support but also with other organizations, to get young journalists, politicians, and business people to have a more international view. That's especially important in the United States, where, now thanks to the fall of the dollar, everyone is focused much more on how to sell abroad.

But ten years ago, you had a hard time finding any business people beyond the New York Wall Street area that really had a broad international perspective. So, we've made a big investment, I think especially with politicians in trying to broaden their perspectives through grants we make to a lot of institutions.

**Barry Gaberman:** I want to answer that by talking about substantive areas rather than strategy or things like that. We, or the past decade that we have gone through, review, in which we have tried very hard to focus more tightly on a manageable set of areas, we call fields. And, right now, there are twelve fields that we work in. We work in those fields, all twelve, in the United States and we work on some number of those in each of our twelve field offices depending on the size of the field office. They make a decision of which among those are they going to choose to work on. And, the reason for that is we want to be able to compare in a global sense what we're learning in each of those fields. So, you can't make the decision if you're in the Indonesia field office that you will work on a thirteenth field somewhere, you have to pick from one of the twelve.

The twelve are fields like education, governance, human rights, economic development, workforce development, community development, the management of renewable resources, media, the arts, and things like that. Now, each of those fields tends to be quite broad. And, you could justify great deal under any one of them. So, what we do for each of our program officers is we tell them to take a look at that field and pick what they think as a significant issue or problem in that field that is important to address. Then they develop an initiative over the six years or so that they would be with us that addresses that problem in the field and to array a set of grants and a set of evaluation processes directed towards accomplishing that purpose.

The reason we do that is if the average program officer in the United States has a portfolio 4 to 5 million dollars a year that they use to make grants with, they'll think one way about spending it. But if you say to them, 'look, you're going to be here for six years and in that time you're going to make 30 million dollars worth of grants, and in addition to that as your initiatives mature you're going to have access to reserve funds to be able to supplement', they're going to think differently. And, when you are thinking about a small amount of money you are very reluctant to say 'I'll put a couple of hundred thousands or four hundred thousand into assessment'. But, when you're thinking about 30 million dollars, it becomes realistic to say 'Of course, I got to put some portion of that into the assessment of the initiative'.

**Dilek Sabanci:** How do you manage to bring different foundations together in certain projects?

**Craig Kennedy:** Ten years ago, we started this really significant grant-making in the areas of these policy research institutions that did US and European research. And at the time, we represented 80% of all of the funding that went into those institutions for that purpose. Today, we represent 10%, because they figured out other places to raise a lot of other money. We work very closely with two or three other funders, including corporate funders. We also have this whole series of collaborations that we do, Balkan Trust for Democracy, which has the Mott Foundation, Bosch Foundation from Germany, Compagnia di San Paolo, Communitas Foundation from Bulgaria, and the Rockefeller Brothers Fund. I'd say it is the typical way we work. And, I think it is really important.

Can I just get back to your first question which I thought was a really a good one and also I think is very apropos to some of the discussions you're having at the Foundation. I used to be a firm believer that every foundation should have a really clearly delineated set of programs or fields and that they should stick with them for a long time. And, I still sort of believe that. But, I have to say that there is a certain level of predictability in that approach, and that can be good; but it also limits your ability to respond to new challenges.

And, I would always urge every funder that yes, we should have some target areas, but we should also kind of keep in one side of your mind or in one side of your pocket enough money that if you see some kind of new problem or issue or need you can start to at least experiment and may be build up a new program around it. Because, I think a lot of us, it was certainly a problem at GMF, it was certainly a problem at the foundation I was at before we got into these very rigid programmatic areas, we didn't question them enough, we didn't challenge them enough and it frankly made our work very stale and un-innovative after a while.

**Barry Gaberman:** For what it's worth, we tried to handle that problem in two ways. When we talked to that program officer about the 30 million dollars they're likely to be engaged in and allocating over six years we tried to get them to think of putting 75% of that money into one, two, or three initiatives in their field, and keeping 25% aside for two things. One is the opportunities that will come up that you did not see and those explorations, and the other frankly to be able to put some money into key institutions that may not be part of the initiative, but are important in the field where you have to be at the table. The second way we've done that is we've taken a portion of our annual spending and putting into a reserve. That reserve is meant to handle things that you did not foresee in the beginning. We make sure it can't be frivolously spent so it is the one thing that requires the trustees' approval, unlike the other grants. The trustees have to agree on the use of reserves.

## **CLOSING**

**Filiz Bikmen:** This has been really perfect summary to the panel today because it gives us some little bit more depth and idea on how the foundations actually work in funding, and specifically make those decisions. These are very useful points for the Sabanci Foundation and for the other foundations here today.

I'd like to wrap up our session and thank everybody for being here. I'd especially like to thank our speakers Barry Gaberman and Craig Kennedy for coming here a day before Thanksgiving, the biggest day of the year for a lot of people in the US. We wish you all the best. Thank you.