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It’s great to be here. I want to say how honored I am to participate in this important conference. It’s really been an honor and a pleasure to work with everyone at Nanyang Technological University, and Professor Wang Jun, in particular, has been a most gracious and wonderful host. Thank you very much.

Although I may be better known for my research on government and administrative reform, I’ve also done research on how philanthropy and foundations can influence public policy and service delivery. My research has been primarily in two areas: healthcare and education, and I will focus on those topics today.

The talk will address some basic questions, including: Can private foundations and philanthropy improve public service delivery? If so, in what ways is or can this be achieved? What are some of the positives and negatives of the role of private foundations and philanthropy in public service delivery? And what conclusions can we draw for Asia and North America?

I’d like to begin answering these questions with background information on the role of philanthropy and foundations in Asia and North America. We’ll start with Asia. As you know, philanthropy requires private capital accumulation and fairly substantial economic development. Therefore, philanthropy is just beginning to emerge as a major force in many countries in Asia, whereas in the United States, it is a pretty mature part of the society. Asian philanthropy is closely tied to corporations and also to government. In some countries, there is still a transition from family patronage to a more professionalized form of philanthropy that has a legal framework and professional environment. On the other hand, there are some remarkable policies, especially in Singapore and Korea, which provide generous tax deductions to promote the development of private foundations and philanthropy.

In contrast, in the United States in particular, philanthropy is often independent and sometimes adversarial to the government. It is not focused on corporations or government; rather, it focuses primarily on individuals, private foundations, and faith-based organizations. We also have a broad-based charitable tax deduction for charitable giving that is a very important part of the system. In the U.S. we have very extensive data on foundations that is collected by the Internal Revenue Service through their 990 form. The charts below illustrate these points in some Asian countries and in the United States. For example, the first chart shows that in Singapore in 2012, about 70% of giving is by corporations, where 30% is by individuals.
Giving in China is quite similar with corporate giving at almost 60%, and individual giving around 30%, and then a mix of others including social institutions and government.
Giving in the U.S. looks quite different. In the United States, over 70% is given by individuals, foundations are next. Interesting to note is that private foundations and are often founded by families or individuals. Corporations only account for 6% of charitable giving in the U.S., so that is a sharp contrast to Asia.

Finally, we can see in South Korea a similar kind of pattern where philanthropy is tied to corporations, a contrast to the United States.
Now let’s examine where the money is spent. In Singapore there is a focus primarily on education, healthcare, and social welfare. In the United States, interestingly, you have pretty much the same focus but with a major additional focus on religious organizations. In the U.S., despite being individual and corporate, we see a very similar target for philanthropy on education, healthcare, and social welfare. In China, partly due to the scandal with the Red Cross and some other developments, there is a shift away from government agencies and the Red Cross into private foundations. Charitable giving by sector in Singapore reflects an enormous emphasis on education, with social welfare second and healthcare coming in third place. The United States is not all that different, with the exception that the biggest sector for giving is to religious organizations, which doesn’t occur nearly as much in the other countries.

With that as background, I’d like to talk about five ways in which philanthropy and foundations can potentially improve social service delivery. With a couple of exceptions, the examples I’m going to give are taken from my research or were activities in which I was directly involved as a consultant or evaluator. These five areas are: demonstration projects, community foundations, policy and political advocacy, strategic partnerships, and social impact investment.

Let’s start with demonstration projects. Most large foundations in the United States give grants for special funding of demonstration projects. The grant seeks to establish the feasibility of a new method or a new type of service in the community. I have been involved in two fairly major demonstration projects in the United States. One project was funded by with the Kellogg Foundation on which I worked as the national evaluator along with a co-investigator, and as a policy consultant to the Kellogg Foundation. The program was called Community Partnerships for Health Professions Education, which sought to extend health access for low-income neighborhoods in rural areas and in inner-cities. Kellogg provided about $60 million to 10 states to seed fund this project. The idea was to provide incentives and support for faculty and students from nursing programs and medical schools to provide care in underserved areas. This was achieved through grants to universities, which would work with communities to set up community partnerships for health services. Some of these experimental community partnership programs still exist today and have had positive impacts in rural areas, such as in Tennessee and West Virginia.

A second example is the Healthy Communities program sponsored by the California Endowment, a large California health foundation. The Endowment has provided funding to establish a 10-year program to improve health in fourteen communities in California, including efforts to increase access to healthcare through school-based clinics. These clinics focused on health prevention, nutrition and exercise, as well as safe streets. These are two examples of the way demonstration projects seek to improve communities, in this case through innovative approaches to health and social services.

There are some key advantages and disadvantages of demonstration projects. The advantage is that one can try something new and innovative. In addition, with demonstration projects, we are able to get actual concrete results that can be seen and evaluated in different communities. On the other hand, and I know this from direct experience, it’s very hard to evaluate the outcomes of these projects and to know whether the project itself made a difference in the community or
whether there were other factors. It is also very difficult to sustain these projects once the foundation funding comes to an end. Another problem is the challenge of disseminating the findings and actually adopting these new approaches in other jurisdictions. The real question then becomes: how do we bring these to scale? It is fine to have ten or fourteen communities benefitting over a period of time, but how do we make the approach a more general policy?

A second major way that philanthropy can have an impact on social service delivery is through community foundations. My colleague, Vice Dean Elizabeth Graddy, has written an article on this topic, and she defines a community foundation as: “A grant making public charity that receives financial support from diverse sources and in return provides resources to organizations serving a defined geographic area.” (Wang, Graddy, and Morgan, “The Development of Community-Based Foundations in Asia,” Public Management Review 13:8, 2011.)

Community foundations are growing rapidly around the world including in Asia and Africa, although the numbers in Asia and Africa are still quite low. So even though they’ve grown, they still lag behind North America and Europe in the number of community foundations. Here are some examples of community foundations in Asia and United States.

![COMMUNITY FOUNDATIONS: EXAMPLES](image)

Community foundations have an advantage in that they offer decentralized community-based decision making which brings people together to support social services. They also connect donors to opportunities to give at the local level, promote civic engagement, and support capacity building for non-profits. Community foundations thus have many benefits besides just the distribution of money.
In Asia, as compared to North America, it has been noted that government remains the key social services provider, and because foundations have close ties to government and corporations, it has not allowed these community foundations to flourish as much as in some other places. The community foundations that do exist in Asia also tend not to build endowments but to receive money and spend it directly on services, which makes it difficult for them to sustain themselves over time if the funding dries up. Community foundations also face a huge challenge to build transparency, accountability and accurate data records. Finally, there is a need in some Asian countries in particular, for a better, stronger legal context if community foundations are to survive, flourish, and grow.

Advocacy is a third way that philanthropy can influence social service delivery. Advocacy for policy and legal change allows for the possibility of bringing demonstration projects to scale through government support for expanding social services to populations that didn’t have them before. Advocacy by foundations that are tax exempt must not propose specific legislation or support partisan candidates for office, but it may tackle policy issues broadly through the use of policy reports, conferences, and support for interest groups. I’ve been involved in two major advocacy efforts; one was the Kellogg project that I mentioned before, where we undertook a major effort to influence broad public policy in support of the community partnerships model of access to health care at both the federal and state levels. Subsequently, laws supporting that model were passed in four of the ten states. The demonstration projects in combination with advocacy did lead to broad-based public policies in support of this model. Incidentally, it would also have been written into President Clinton’s healthcare reform, if the Clinton healthcare reform had passed the Congress.

Another example of advocacy occurred just recently when I was in Washington with the Arnold Schwarzenegger Foundation, which supports after-school programs. The budget cutting process in Washington threatened to either de-fund these programs across the country, or divert funding from after-school-programs to general school activities instead. I think we were very successful in keeping the appropriations targeted on after-school programs, especially for the 21st Century Community Learning Centers, which are a partnership between foundations and the Department of Education for after-school programs.

Strategic partnerships represent a fourth way that foundations and philanthropy influence social services delivery. Fostering partnerships between government and philanthropy is becoming a very important strategy in the United States as a way to promote investment in innovative solutions to social problems. These partnerships combine the scale and funding of government with innovation and community-based philanthropy. The White House has set up an Office of Social Innovation, which is focused on fostering these partnerships, and the City of Los Angeles also now has an office of strategic partnerships. I’ve been involved in a strategic partnership recently in San Diego, the third biggest city in California. This strategic partnership formed between the school district, the County of San Diego, and three non-profit organizations, including the Price Family Charitable Foundation, which is the foundation that has funded our school at USC. The partnership has successfully supported the development of school-based health clinics and other services in neighborhoods in San Diego.
Finally, social impact investing is a new form of philanthropy that is starting to take shape around the world. Social impact investing is an investment that is made into a private firm, an investment fund, or a non-profit organization with the goal of getting a financial return but also intentionally trying to make a positive social impact. Globally there are now about 36 billion U.S. dollars invested in these social impact funds, and they have been growing pretty rapidly.

The expectation in the next five years is that social impact investment funds may grow as large as $500 billion. These funds thus constitute a significant new means by which philanthropy and the private sector will influence social service delivery. One way to think about this is that if we look at the amount of funding through social services in places like Europe or the United States, there is a gap between societal needs and what government is willing to pay to address these needs. Consulting firms have estimated the growth in the gap over the next 10 years. For example, in Canada there is about a one billion dollar gap between what the social need is and what government is willing to fund. In France we find a similar range. The gap in Britain is about $180 billion, while the United States is closer to a $900 billion gap. It is unlikely that these gaps are going to be filled by government spending alone.

A good example of such an impact investment is the Coca Cola Company’s 5by20 Initiative. The Initiative has created an investment fund with financial partners to invest in women entrepreneurs in several countries around the world. The Company is hoping to have an impact on improving the lives of at least five million female entrepreneurs by the year 2020. Another example is R20, a new fund centered in Europe and founded by former California governor Arnold Schwarzenegger that is focused on climate change. R20 is a partnership between this non-profit and the Asian Development Bank with the goal of funding climate change projects around the world.
Let me now conclude by looking at some of the implications of this analysis for the role of philanthropy in Asia and the United States in influencing social service delivery. Although I’m going to make some generalizations, one size does not fit all. The way the U.S. works is not necessarily the way Singapore or the way other parts of Asia should work. Philanthropy needs to adapt to the diversity and pluralism of the country and community.

Let’s first consider Asia and the implications for social service delivery. In many countries in Asia, there is a great need for better data, accountability and transparency, which would significantly help to build trust and expand investment in philanthropy. Second, there is a need for a much more sophisticated legal framework, in China for example, that would help philanthropy flourish. A legal framework would also contribute to the development of community foundations because it would encourage the formation of non-profit organizations that depend on community foundations for support.

I also believe that for philanthropy to flourish in Asia there may be a need for some distancing between corporations and government, with philanthropy more embedded in civil society, especially in the context of private foundations and individuals. If this were to happen, philanthropy would play more of an oppositional and innovative role in society, and this could be a very positive development in some Asian countries.

On the other hand, the close ties between philanthropy and corporations in Asia may offer a tremendous opportunity for the development of significant social impact investment. The legal framework could be set up to build upon the already huge investment in philanthropy by these corporations. Government policy could also encourage this kind of social impact investing by corporations.

The situation in the United States is a little more complicated. By comparing the average income of the top 1% in the United States over the last century to the average income of the rest of the 99%, the chart below demonstrates that in the early 20th century, the average income of the 1% was about 20 times that of the 99%. In other words, if we go back to 1915 or the roaring 1920s, it was about 20 times higher. From that point on, income equality actually started to decline, so by the time we reach the 1950s, 60s, 70s, the 1% only earned on average about 10 times of what the average earner made in the 99%. However, in the early 1980s, this trend reversed so dramatically that by the year 2003 we were back where we were in 1920. By 2003 there was a 20 times difference. I’ve looked at the extension of this data, and today the gap is actually 23 times. The difference between the top 1% and the rest is at the highest level of inequality it’s been since this measure has been recorded. From 1990 to 2012, the increase in income earned by the top 1% grew by about 86% during, whereas the income for the 99% during that period grew by only 6.6%. The result is that about 68% of all the increase in income earned over the past 20 years or so in the United States has gone to the top 1%, which has resulted in this kind of inequality.

This presents an interesting dilemma that is emerging between inequality and charitable giving. Greater inequality actually increases charitable giving mainly because people who can deduct income from their taxes are in the top 20%, and give a lot more money than the people in the bottom 80%. It is interesting to note, however, that in 1986, marginal tax rates were dramatically reduced from about 60% to 28% which should have led to an decrease in charitable giving
because the discount one receives from the deduction went way down. In fact, charitable giving has continued to grow. The crux of the dilemma is that while income inequality has grown, the need for charitable giving has grown as well. So not only has giving grown, but the demand has grown even faster. In North America, especially in the United States, developing greater strategic partnerships between philanthropy and public agencies may offer the promise of more innovation approaches. It’s also very important for the U.S. to develop a better legal framework for social impact investment, if we are going to be able to address the kind of social needs that we have now.

In conclusion, there are many challenges to achieving a productive and impactful role for philanthropy and foundations in improving social service delivery. First, demonstration projects often don’t scale. Once the funding stops, the project fails to be sustained or falls below expectations. Secondly, foundations aren’t always more innovative than government, depending on the political context. Sometimes, foundations become too conservative, as they get bigger and more professional. Third, foundations are not accountable to the public in a way that democratic elected government is. They have boards that are appointed by the current members, creating the risk of in-grown membership over time. Fourth, strategic partnerships entail risks for foundations of reducing innovation and of becoming extensions of government policy. This co-optations by government has occurred in the non-profit world in some areas where an organization is too dependent on government funding. Finally, as social impact investment grows to over $1 billion, these funds could serve as a rationale by certain segments in society for displacing government social programs altogether with private sector action.

On the positive side, philanthropy and foundations can serve as catalysts for new and innovative social service delivery models. Community foundations also are very important in the United States and could be very important in Asia for connecting donors to needs by putting resources at the local level and building civil society and non-profit capacity. Likewise, strategic partnerships between government and philanthropy can leverage government funding, thereby achieving scale, and at the same time, benefit from innovation, thereby better delivering social services to meet community needs. Finally, social impact investment offers the potential to help bridge the growing gap between what government is willing and able to fund and what the social need actually is.

Thank you very much.