



## The Bill and Melinda Gates Foundation (Gates/BAMGF)

### 1. About

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| <i>Location: <b>Seattle, Washington (HQ), Washington, D.C., Delhi, India, Beijing, China London, UK, Berlin, Germany Addis Ababa, Ethiopia, Abuja, Nigeria, and Johannesburg, ZA</b></i> | <i>AUM/Capacity: <b>~\$50.7B</b></i> | <i>Avg. Grant: <b>\$500,000-\$1M</b></i>                                      |
| <i>Largest Grant: <b>\$28M</b> (to Alliance for a Green Revolution in Africa – AGRA - Kenya, 2017)</i>   | <i>Program Potential: <b>TBD</b></i> | <i>Alignment Score: <b>Low</b><br/>*dependent upon refined strategic plan</i> |

Insights partially sourced through a September 12, 2020 Meeting Between Natalie Rekstad of Black Fox Philanthropy and Gates contact: \_\_\_\_\_, Title, Role.

#### Mission:

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to ensure that all people—especially those with the fewest resources—have access to the opportunities they need to succeed in school and life.

Funding priorities/alignment: Global Health and Disease Eradication. Global Poverty Alleviation especially through Agricultural Innovation and Livelihoods. National Education Initiatives with an emphasis on IT Capacity Building and Access.

When The Gates Foundation expands into a new country or explores tackling a new issue area they intentionally engage in a (often undefined) long period of listening and learning. This can come in the form of investing in small R&D grants to partners/experts already working on certain issue areas (and in certain areas), engagement (and funding) toward collaboratives that have already been tackling a certain issue from all sides, market analysis projects conducted by professional consultants, or experimenting with partnerships within local and national government ministries to

learn more about the context, what levers can be pulled and where there are gaps/ opportunities for philanthropic funds to make the greatest impact. Once Gates commits to an area of need, major goals for that area are defined and a clear pathway toward achieving them is identified. This can look different for each of their focus areas and for different countries/locations. Alignment with these goals and strategic pathway with their grantee partners is paramount and therefore the ultimate decision making is left in the hands of program officers working the closest to the issue areas and in the field.

- Given that the issues that Gates engages with are recognized to be wildly disparate, they share the characteristics of being deeply rooted, dynamic, and complex. None will be solved easily and quickly, and none will be solved alone. Therefore deep collaboration with grantees and other partners, who share an appetite for risk taking, are always pushing for new solutions, and like to harness the transformative power of science and technology will be prioritized and also relied on for new learnings and information gathering purposes to better inform future endeavors and solutions.
- As noted above, Gates develops goals and strategies before allocating resources and making investments. Their goal is to, on a continuous basis, collect and share data on the progress of their investments while reflecting on lessons learned and making necessary course corrections as needed AFTER they have decided upon a route to take. Essential to this process is an ongoing dialogue with grantees and partners—which is embedded throughout the grant lifecycle. Being aligned at a certain point in time from the get-go (as their strategy is reviewed once a year for each of their program areas and endeavors) is a paramount part of deciding on new grantee partnerships. It is important for Gates to understand how a new partner will fit into their larger plan and goals rather than the other way around to ensure that both grantee and Gates are bought-in to the same goals and outcomes.

## **2. Grantmaking**

Sourcing:

- Direct solicitation. Already aware of an organization that is well-suited to perform a part of the work of a program strategy. Gates directly solicits an early phase concept memo or proposal.
- Discussion. In some cases, one or more organizations are invited to discuss a

concept to explore their interest and capacity to undertake the work. If the organization has the expertise, capacity, and interest, Gates will invite them to submit a concept memo or proposal.

- Request for proposal (RFP): In select cases when looking to broaden their network or fund multiple organizations for a project, Gates may issue an RFP. Public RFPs are posted on their website while private RFPs are directed to specific organizations.

Type: Varies (but often smaller “get to know you” grants turn to bigger long-term commitments once a partnership is established and tested – will do an average of 3 year grants, though they have signed ones as long as 10 years). \*Almost all grants are project specific unless the entire organization is a strategic piece of the solution, i.e. cross sector collaboratives, teaching hospitals, or research labs.

Grants are structured in a way that makes sense from a financial perspective while also funding partners for the cost of delivering results, supported by open and honest dialogue about the resources required from the outset. Grant proposals are developed with a goal of creating an accurate understanding of the total cost to execute the project efficiently and effectively in order to achieve the desired results.

\*Item by item budget analysis is required to accurately compare a Gates Foundation grant versus a grant funded by another entity. Details regarding the Grantee Indirect Cost Policy can be found on the Gates’ website.

Process:

Each strategy (program) has an allocation of resources. Grantees and partner organizations are encouraged to develop proposals that align with the program’s priorities while also staying true to the organization’s focus and capabilities. An important part of the process is reaching a shared agreement on what success will look like for the investment.

The process is broken down into four phases. The duration of each phase depends on the complexity of the project as well as the capacity and geographic location of the prospective partner.

Phase 1: Concept Development.

Program officers work to identify ideas that support Gates’ strategic priorities, in consultation with foundation colleagues, researchers, policymakers, and

other partners in the field. This phase concludes with an internal decision that a concept is aligned to a strategy.

#### Phase 2: Pre-Proposal.

Allows Gates and prospective grantees to explore and refine concepts, also with the help of organizations in the field. This phase ends with the decision to solicit a grant or contract proposal.

#### Phase 3: Investment Development.

Applicants are given guidelines and templates for developing a proposal, a budget, and a results framework and tracker. A program officer reviews submitted materials with internal and, at times, external experts, and works with the applicant to integrate recommended changes. Due diligence is conducted to confirm the applicant organization's tax status, determine how to structure the transaction, and assess risk. Legal and financial analysis teams also participate during this phase.

Investment proposals are reviewed at various levels, grants and contracts are reviewed at further, more complex levels. A foundation executive makes the final decision about whether to fund the proposed grant or contract. Before funded activities can commence, the foundation and the partner organization must sign an agreement that includes the intended results, targets, milestones or reporting deliverables, and a payment schedule.

#### Phase 4: Management and Close.

During the life of an investment, the program officer and partner discuss how they will work together and keep in close communication to understand progress and challenges of ongoing work. By maintaining quality interactions and clear and consistent communication, the goal is to share feedback early and often. Occasionally a program officer or foundation staff member will participate on advisory committees, and occasionally take a seat on the board of the organization.

At the end of the project, the partner will work with the program officer to submit a final report that summarizes the results achieved and lessons learned.

Timeline: This is a very lengthy process and the decision making and the timeline of releasing funds varies. Some grantees have shared that they didn't even know they were in the discussion phase with Gates, and being considered for a grant, after having multiple conversations with a program officer.

## Key Insights / Criteria:

Understanding with clarity the size of an organization, what they've done in the past and their reach is most important criteria. A shoe-in (if ever there was one) could be if the organization has been co-funded by others in the space that Gates considers credible peers (or has co-funded with before). An organization's ability to demonstrate their fundraising skills at a mature and sophisticated level and whether they have the right team in place to take them to "the next level" or in Gates' eyes "finish the project/program through from beginning to end". Having a strong and resilient finance department and fundraising track record is very important, especially given that Gates usually works with more mature organizations. Some organizations just can't either 1) absorb a big bet contribution or 2) sustain one. It is important to pressure test this in the beginning to make sure the grantee partner can do both comfortably. Sometimes Gates will bring in a KPMG to help make this assessment if needed.

Having a clearly defined, articulate, and informed road map for success is KEY. What does the 3, 6, and 10-year plan look like, when will you reassess and what goals or milestones are you looking to achieve along the way. How will you achieve these and how will finance yourself to be able to do so in a feasible and realistic way.

In the case where a great organization comes our way that is "talented but small," we will often ask ourselves what can we do to make them medium or big or get them to the place where they will be able to absorb and put to work larger amounts of capital. That is when we might provide a smaller sort of "get to know you" grant but they have to be truly programmatically aligned and therefore quite different or unique in filling a gap or meeting a need than any other organization out there.

Key point of due diligence involves:

### Financial:

- What are their cash reserves?
- What is restricted vs. unrestricted?
- Do they have 2 years of audited financials and are they clear?
- If a partner's critical for us and they don't have their own audited financials, Gates will send their own auditors to review the books and pressure test their financial system.
- Look into how they diversify their funding and track it and how they define certain intangible costs, such as in the case of WP internet costs.

#### Governance:

- What is their Board composition? Is it diversified? Do they have the expertise that fits organization? that they need?
- Board minutes are reviewed as well to see how decisions are made and what the decision-making process looks like.
- Looks at HR; are their discrimination policies in place? This depends more upon how large the investment is but for big bet would be part of the process

Measurement Evaluation and Learning Practices (MEL) – Gates refers to their grantmaking with regards to evaluation as “Outcome Investing” and there is a video on how they view it on their website.

- What is already in place? How do we work with them to define the overall results Gates is also hoping to achieve and the data needed to measure those results? How closely aligned is the grantee in this and, if not, how much of an investment or disruption / do they have the capacity, to become in better alignment?
- At the same time, to give partners flexibility in how they achieve results, Gates doesn't require them to report on all of their activities. The focus is on purposefully measuring the most critical metrics of progress that support continued learning, adjustment, and alignment.
- The nature and frequency of measurement depends on the type of work. For example, scientific research projects may be measured differently than efforts to expand vaccine coverage.
- Evaluation is looked at as another collaborative learning tool that provides Gates and their partners with feedback to improve, adjust, and decide how best to achieve outcomes.
- The Foundation Evaluation Policy sets out parameters for evaluation and explains how and why we use evaluation and where variation is warranted. Gates tries to avoid one-size-fits-all prescriptions and strives instead to make selective, high-quality evaluation an integral part of their work while prioritizing it in selecting their grantees as well.

Programmatic Alignment - the most important aspect (as stated in detail above in other sections)

- What is their technical expertise?
- Are they able to deliver what is asked of them?
- Do they have a solid operations department to support their programmatic endeavors?

- Are they in alignment with Gates Strategy and or do they have expertise in locations where the work will take place?
- Do they have knowledge of local context?
- Are they working within Gate's priority countries? And what is their expertise in those geographies?
- While Gates does not necessarily take a gender lens the question becomes more of what is an organization hoping to accomplish with having a Gender Focused strategy? If a strategic case can be made, then this is good!

### **3. Recommendation:**

- a. Refine strategy and get clear on your pathway to scale and how you will finance it, make sure your house is in order and everything is solid.
- b. Find a potentially closely aligned program (or research project that was co-funded by them) within Gates focus and key geographies (look at 990s to see where they are investing most of their money at this moment in time) and see who the program officer (PO) is that this ladders up to.
- c. Then, ORG should try to engage with them either through their professional networks or going to a conference that they know this person will attend. Ask yourself first, and then ask the PO, is your core expertise in alignment with a need Gates is addressing and with their strategy in addressing this need?
- d. Keep an eye on the website to see what kind of RFPs are being opened (and when) to see if you can respond to any of their open calls – however, no one knows what the success rate actually is but it is worth pursuing if there is strong alignment.
- e. Get connected through KNOWNE CONTACT to GATES DECISION MAKER who is the "gender lead" (if there were to be such a thing normally named at Gates) given his work in Global Policy and Advocacy. Talk to him and learn more about the Gender Lens piece and where Gates is and isn't engaging with this content.