



INDEPENDENT SECTOR
A vital voice for us all

The Buffett Effect

A Conversation with Patty Stonesifer

Patty Stonesifer, chief executive officer, Bill & Melinda Gate Foundation

interviewed by

Diana Aviv, President and CEO, Independent Sector

Independent Sector Annual Conference

Minneapolis/St. Paul

October 23, 2006

MS. AVIV: Well, I feel that Patty doesn't need any introduction, but that never stopped me. We always rush in and say things that everybody knows anyway, but we say them anyway.

When Patty joined I think it was about 10 years ago, Patty. I may have some of the facts wrong, but Patty was looking forward to a very quiet life, just left Microsoft, was busy minding her own business and doing her thing, and Bill Gates approached her and asked her if she would lead up his enterprise, his foundation, and whether that is a good or bad thing, we will find out, but, Patty, I think we are very lucky, agreed to do that and has been heading up the Bill and Melinda Gates Foundation ever since then.

As you know, the foundation is now you have heard this many times said, but it is the world's largest foundation with assets totaling \$29 billion and programs that reach the far corners of the globe.

I think I am not going to share any secrets that the reliable source in The Washington Post hasn't already said, but I am very lucky because Patty now has an apartment that is just a few steps away from my own apartment in Washington, D.C., which means that I intend to nab her every now and then when I need to, but we are delighted to welcome you both to Washington, D.C., even as you are in Seattle.

Patty, we are not just welcoming you to the neighborhood in D.C. We welcome you to the philanthropic neighborhood as well.

For this conversation, I want you to know that I read or I tried to gather some of the articles that have been written about Warren, as you say, Warren's gift, and I stopped counting after a while because so many articles had been written about this and so much advice, and in fact, it made my head spin because every time I read one piece of advice as to what you should do and thought it was a really good idea, just a minute later, I read another article that said you should do the exact opposite, and if you did that, that would be a terrible thing.

So we are going to put you on the spot here, and the way in which we are going to work this is Patty

and I are going to have a conversation, a chat, and then we are going to invite you to participate and ask questions.

There are four folks, IS staff people, who are in different corners of the room, and just raise your hand, and interspersed with the conversation that Patty and I have, I will turn to one of those folks who will ask you to identify yourself and ask your question of Patty. So that is the way we will do it.

But let's start first things first. Take us back to when you first got wind that this might be coming your way. What did you think?

MS. STONESIFER: Well, the first thing I did was cry, actually, because it is an amazing statement that Warren is making in the way that he structured this gift.

I have known Warren for almost 13, 14 years, and so I knew that it was always part of who he is and how his family thought that returning his wealth to society was core to who the man was, but this unusual approach that he took to say "I am not going to be around for 30 years to govern this, to leave this, and I want to look to see not only what my children might be able to do, but what others might be able to do with these resources" was an incredibly selfless act, and so my first response was both overwhelmed with the character of the man, but also at some level with the responsibility.

Bill and Melinda have said it themselves. It is one thing to give away their money. I have known them for decades, and I feel pretty comfortable. It is a whole other thing to be entrusted with the resources of the Buffett family, and that just increases the importance and seriousness of our mission.

MS. AVIV: Patty, take us through a little bit what happened then at the foundation or what happened next, and also maybe not everybody has read all of those articles. Tell us a little bit about how this is structured.

MS. STONESIFER: So, in June, Warren made a commitment that he would make a pledge. He made a pledge to his children's foundations as well as to the Susan T. Buffett Foundation, but to the Bill and Melinda Gates Foundation, he pledged 10 million Berkshire Hathaway shares and that annually he would gift the foundation 5 percent of those shares.

So, in August, we received our first gift, about a \$1.6 billion gift, and the way that Warren has structured his pledge, those gifts will continue to come every year as long as by the following full calendar year, that gift has been spent above and beyond what the 5 percent minimum of the Gates Foundation's endowment would require. So he gives it as if those shares were in our endowment. We have essentially the same kind of spending pattern, which the following year we will spend out.

So that means that this year, we would have been on track to spend about a billion five, and so by 2009, which is the first time that the trigger is fully in place, we have to have spent 2008's gift by the end of 2009. So, by 2009, our giving will have doubled to have \$3 billion per year.

MS. AVIV: I imagine to manage all of that, it takes a lot, and I am thinking to myself I read somewhere I have it written down here that apparently and I don't know that this is true, but that the Gates Foundation received 700 résumés for one single administrative position, up from the 20 normal per day, and that grant applications skyrocketed from 3,000 a month to 12,000 a month.

One of the things that I just want to put into this particular question, in the past year we gave added 12 staff. We had some positions open for a while, and I must tell you, it took a heck of a lot of time and effort to add 12 staff. I imagine you are going to have to ramp up in a huge way. How do you do that in enough time?

MS. STONESIFER: It is critical to know well, this year, we are at around 300 people at the Gates Foundation, but 100 of them joined us in this past year as part of the recognition of the role that we were playing and the increasing need for specialization.

So I agree with you. Every single one of those people requires a commitment on behalf of making sure the pool is wide and diverse and includes all the kinds of skills and backgrounds that you are looking for, and then the selection process has to be thoughtful, include your culture as well as the experience that you are looking for, and it does require a very significant amount of time on the folks who have been there a little while in order to make sure that not only do you get people who can further the mission, but who embrace the culture that the families represent.

So I do think we will continue to grow, but it will be strategy based. When we were talking at lunch, I pointed out that to me, the reason that I attended Tom Tierney's session it was hard to decide which of these sessions to attend this morning, but the one that I attended was about leadership because, in fact, of course, the opportunity to give away \$3 billion a year, the vast majority of the growth is going to come outside of the Gates Foundation to the folks, the partners who we give the resources to, to the sectors, the health sector and efforts in education, the intermediaries, and the grassroots organizations. So there is a need really I think across the sector, I hope, that will come as a benefit of this additional giving, but I do think that experience plus culture have to be considered every step of the way, and we will make sure that we don't let the payout drive that.

We are actually going to be spending a third more every year from now until 2009 in order to make sure that our growth is not a 1 year kind of step, but over several years.

MS. AVIV: Patty, one of the things I heard when this first happened I don't know why I heard people were chitchatting about this an awful lot. There was a lot of buzz in the corridors, as they say, about this, and one of the things that was said was because Gates Foundation is so powerful and so large and because you probably can afford to pay reasonable salaries and all of that, that you are going to steal away, you are going to draw in the best and the brightest, and so it is going to rob Peter to pay Paul, and in the end, you will have a concentration of highly talented fabulous people at the expense of others in the sector. What do you think about that?

MS. STONESIFER: How many folks are there in the sector?

MS. AVIV: I know.

[Laughter.]

MS. AVIV: Only 12 million.

MS. STONESIFER: So even Warren Buffett can't approach that, and I would say to take a look at my direct report team and perhaps their direct report teams. We pull from all sectors.

We just got a wonderful new chief technical officer from the Boeing airplane company. We are lucky to bring on as president of our global health program, Tachi Yamata who was the chairman of Research and Development at GlaxoSmithKline. Alan Goldston, the president of our U.S. program, came from a Swedish hospital.

One of the most exciting new folks, who I think it is okay for me to say here even though she doesn't start until January she is pretending like she doesn't start until January is Hilary Pennington just agreed to join us at the Gates Foundation.

[Applause.]

MS. AVIV: Poor Hilary, she is going to be inundated now. Of course, she is giving away a lot of money.

MS. STONESIFER: So I think we will have a mix. We really take seriously that we want to create a great organization, but that great talent comes in a whole range of organizations, just out of school, in very senior positions ready to make a final decade or two of contribution, from all different sectors.

So I do think that a few folks like Hilary Pennington will make an enormous difference in the quality of our giving, and we want a few more, but we are going to look across all the sectors to find the right talent mix..

MS. AVIV: Right. Patty, in some ways, I think the answer to that is that if you said, okay, we won't draw from anybody in the sector, we would say, now, what's the matter with us.

MS. STONESIFER: Right.

MS. AVIV: So you can't win.

MS. STONESIFER: It would be a mistake either way, to take them all out of the key grantees or to ignore them.

MS. AVIV: I know that you have a value statement.

By the way, when you are ready with questions, let me know, but otherwise I invite you to start asking questions.

Let me just go through some of these. The foundation's value statement, I took off your website. It says, "We take risks. We make big bets. We move with urgency. We are in it for the long haul."

MS. STONESIFER: Well, people who have gone through our grant process sometimes wonder, it doesn't always feel like we take big risks, but we do take big risks at the target of our interest.

To say that we want to see all kids college ready, all kids college ready for work, college, and citizenship, not let's increase graduation rates by 5 points or let's build 100 new schools, but to say, look, let's say that the public education system should be ensuring that our kids are college ready, that not only should they walk across that stage for a diploma, but that diploma ought to mean something and ought to have the rigor and the relevance to allow them to get great work or to allow them to go on to college without having to do the remedial work that an enormous percentage of our kids that get a high school diploma require.

So, when we say we are in it for the long haul, we are not so naive to think that that is a 3 year grant process or a 5 year grant process or a 10 year grant process. We realize that participating in change in a system of that, first of all, requires the public, and that probably the single biggest contribution that we have been part of in the last 5, 6 years of concentrated effort in that part of our mission has been that the public has accepted this same message that our high schools are not what they need to be, that our kids deserve better, that the public school system needs to be rethought to address the society as it stands right now.

That takes time, and it takes conversation at kitchen tables and at board tables, and across that whole spectrum, people, I think, are beginning to accept this, and there is a level of energy.

Now we accept the problem. What are the solutions? Who is seeing real progress against it? What can we do to replicate what they have learned? So I do think all of these things are big problems. They require taking a level of risk. That is one of the lovely things about foundation sis our capital is capital that can be put against risky propositions.

School boards get reelected. I don't, and so the possibilities for going ahead and backing some folks with good ideas, with good track records, and taking a risk alongside of them is something that we take very seriously. We want to do that.

Then, of course, we do try to squeeze the risk out of the actual project or program by setting up milestones, by figuring out what indicators will tell you whether those numbers are right, but you talked in your remarks, which were really great, about the importance of determining impact.

If we are spending \$400 million a year on this idea of all kids college ready in the United States, ready for the things that we discussed here, \$400 million a year, the State of California spends \$40 billion a year on K to 12. So our monies are just a tiny little drop in the bucket. We could spend down the endowment in 1 year and not have improved education just in the State of California, just to cover that bill. So trying to figure out which of the ways we are spending money have the most impact is something that is going to take a lot of assessment and a lot of learning and a lot of truth telling, but also a fair bit of data to determine together with the district leaders, with the State leaders, and begin to realign those spending and realign everyone's efforts to get the most out of the money that the public is spending on public education and to serve those kids well.

So we think those are risky things, trying to turn back the AIDS pandemic, trying to do something about malaria or saying that every child deserves to be vaccinated, everywhere, every child, everywhere, but that is the level at which we want to place our ambition, and then to begin with that ambition to look at who are the government players, who are the market players, and who are the non profit and sector players that can come together and try to work against that problem.

MS. AVIV: How does one avoid getting into a situation where because of your investment, government officials actually say we don't need to invest in this area. I think there was even a story about such a situation where you would put up some money and say that we were going to do something, and the next thing we saw, there were folks on Capitol Hill saying they were going to pull back that money.

I said in my remarks, and we both agree, that what we provide is essential, but a tiny part of the overall whole. How do you make sure that in your stepping in, the others don't step out?

MS. STONESIFER: Well, from the very beginning of the creation of the foundation, Bill and Melinda and Bill Sr. and I had this kind of informal agreement between us.

We believe that philanthropy plays a very important, but very limited role, and that governments and market players, businesses, and private givers all have a very, very big role to play. So we had this kind of informal agreement between us that every dollar that I put on the table that caused a government or a market player to remove a dollar, we ought to literally be questioning should we be putting money on that table, in that region, in that category, again, because, in fact, if philanthropy is supposed to be a catalyst, the worst possible thing we can do is lower government's responsibility, the

shared responsibility we all have as citizens to ensure that our government addresses the needs of our citizens.

So the key thing obviously is that in the areas that we are working in, we are in close and constant communication with government. When we first put \$750 million against that, that every child everywhere deserves to be immunized, the folks who wrote the grant thought they would have other people's money right away. We call it "other people's money," right away, right away, and I had a couple of panicked years because it didn't happen right away, but 4 years into it, 5 years into it, the results that were coming, the numbers that people were seeing, the 75 countries that were increasing their immunization rates, the price per child reached, the demonstrated results, and the government donors started to really see that this was a really appropriate use of the aid they wanted to give to help developing countries improve their health, and not only did donors come to the table and come to the table to where we have over two dozen countries donating and many, many individuals donating to the Back Scene Fund and the Global Alliance for Vaccines and Immunizations, but now we have innovation happening at a level that I couldn't have dreamed of.

A group of players got together, called themselves the "Out of the Box Group." It was organized by Jim Wolfensohn, who was then the head of The World Bank, and he just got a lot of thinkers together and said, "What can we do? Immunization is such a good bet. It could be front loaded. It would really reduce the cost of health care in the developing world. What can we do to make government money more reliable?"

Gordon Brown in the UK and others came together, and they created a particular financing vehicle called the International Financing Facility for Immunizations, which is literally on a road show to do a \$4 billion bond offering. If any of you want to purchase some bonds, they are very competitively priced, but it is backed by future government commitments to this International Financing Facility.

So here we are, originally just feeling like we are going to be standing out there alone and all these children need immunization, but by concentrating on results and building the right momentum and building the right evidence and the right partnerships, we are now significant. We are a minority player in this important effort to see children vaccinated everywhere.

MS. AVIV: Sometimes people say and this is probably unfair and accurate, but let me say it anyway. I am just protecting myself, so that when all of you say she was unfair and inaccurate, I said I said it first, but some people say that very large institutions tend to be more bureaucratic and that the smaller ones are more efficient and agile and so on.

Gates Foundation has had a strong reputation of being innovative in getting the work done and so on. The addition of all of these additional staff, because you still have to have a critical mass of staff, did it change the complexion or the culture, and will you be able to be as innovative and as effective as you have been up until now?

MS. STONESIFER: Well, I think the answer is both yes and no in that I think that one of the appropriate pushbacks we have heard from recent grantee surveys we work with the Center for Effective Philanthropy to give us a report card, and there is some concern that we have become bureaucratic, that it takes a lot longer.

Now, that is partially because Bill Sr. and I aren't going home on the weekends with spreadsheets we are running ourselves and determining how much you should put into a billion dollar minority scholarship fund.

I actually ran that spreadsheet for the Gates Millennium Scholarship Fund, and I didn't know. Unlike Judith, I am not a higher education expert. So I used inflation for the economy.

Well, higher education inflation happens to be a very significantly different number. We made this. We knew exactly how many kids we could do, and I was flat out wrong.

Now, thankfully, I happen to work for an organization that can make up its mistakes, but that was a case where we were nimble as all get out. A little of bureaucracy would have been a very good thing.

[Laughter.]

MS. STONESIFER: That is called taking risks and in it for the long haul.

In fact, Alan has a phrase for "appropriate bureaucracy." We want to have the right level of experts. We want to understand. If we say there is a sustainable way this project is going to happen, well, why? Do you think the farmers are going to buy the seeds, or do you think the government is going to subsidize the seeds? And some level of work with experts and taking your time and building that assumption correctly, that does slow you down.

We didn't used to slow down very much. We talked to some smart people, and because there were 10 of us Alan joined the day we opened the doors in our building there just weren't enough people to be bureaucratic. That doesn't mean our decisions were better then.

I think over the last 6 years, we have gone through some strategic changes that touched a little bit to the nerve that Judith was talking about, about being predictable, and I think that we owe people. They should know what is in our bull's eye.

One of the numbers you said earlier made my cringe, the 12,000 people asking for grants per month, because basically you are doing 11,970 of them a disservice because they are sticking their necks out with their board, with their community, and saying, "I can get money out of the Gates Foundation." We do about 30 grants a month, maybe 40 grants a month. So that is not a good situation if people don't know what your target is.

So, over the last 3 years, we have really stopped in some areas and said let's make it super clear what our focus will be over the next X quarters, over the next X years, and try to put some clarity around this, so that the subsectors we are working in can see us as more predictable.

Yes, that may mean more people are outside the bull's eye, but they won't waste their energy, and those who are in the bull's eye will know that they can count on and build the kind of partnership that will work.

We want to see that number of people who come for grants go down. We want them to be wonderful. We want to read them, know who is looking for things, learn from the people who are, but have them be very, very close to the issues that we have taken on, so that they are appropriately using their time and energy. So the goal is really the appropriate level of bureaucracy to where we know enough, we act thoughtfully, and we act with a good process, and I think that balancing act is something we have to learn.

And the Independent Sector has your bureaucracy. It is a constant. It is constantly under

MS. AVIV: It is constantly under review because when, in fact, you act nimbly and quickly for one

and then 14 other people say "me, too" and then you think, well, that wasn't such a good thing, you really do have to have some systems in place. You are right about that.

MS. STONESIFER: Eighty five percent of our funding, the last time we did this analysis, was going into some kind of collaboration or partnerships, and collaborations take a lot of time too. They really do. They slow you down for the short run, but hopefully get you further for the long haul.

MS. AVIV: There are two questions I want to ask, and then I really am going to invite you in the audience to speak.

One, I think it is a concern not just with you, but with lots of foundation, but because of your size and scope, I think it will be an issue.

I remember, Patty, when I was visiting with you the first or the second time, and I was sitting in your office up there in Seattle. I started saying, "Patty, you need to do this, and you need to do this." I really did.

MS. STONESIFER: She really did.

[Laughter.]

MS. STONESIFER: And I still came today.

[Laughter.]

MS. AVIV: Well, that is not going to stop me from asking the question.

MS. STONESIFER: Okay. Go ahead.

MS. AVIV: One of the fears, I think, or one of the concerns that observers of this whole process are worried about is that because of the generosity of the foundation and the opportunity to give to so many groups, that you won't have serious critics because people will self censor.

You will get occasionally fools like me who will tell it to you, anyway, but for the most part, people will not tell you, will not tell your program officers, for fear that in saying something, that will result in their not getting money. How do you deal with that? How do you get an honest frame of feedback?

Some of you might have read Bill Schambra's piece in the Chronicle of Philanthropy in which he has devised a system, a bureaucracy.

MS. STONESIFER: Actually, it was a CIA system he was recommending.

MS. AVIV: It was a system, a real system for checks and balances.

How do you ensure feedback? I know the Center for Effective Philanthropy does great work because it allows the opportunity for those of you that don't know the work to ask grantees on an anonymous basis to give feedback to foundations, and then foundations can use that information to build better programs, but how do you build in the kind of feedback you need to keep you fresh and relevant and responsive to the people that you need to be?

MS. STONESIFER: How long do we have? Right?

The truth is that it is like the governance question. It has to be at every level. There have to be different approaches, given the problems that you are looking at and the feedback that you need to hear. So it does include a level of anonymous feedback.

For instance, like a Center for Effective Philanthropy, using tools like that on an ongoing basis, it has to include grantee forms. It has to include having advisory panels that are very tightly focused on either your domestic program or your health program that are committed over the long haul, but it also means that the vast majority of our grants need to go through an outside review by reviewers who are protected and are not identified to the public, so they will feel comfortable saying what they really think about this effort to end polio in Nigeria. There is not ever going to be enough knowledge in Seattle, Washington, to determine whether that is absolutely the right way to stop the polio outbreaks in Nigeria, and we have to have outside reviewers looking at that.

I just think that whether it is on something like the grand challenges, literally on the questions of what would be the big scientific grand challenges you put up, we literally put that out on the Internet and asked people what are the critical questions, and scientists from all over the globe told us what questions to ask.

So I think it is going to have to be 40 things, and the critical thing is making sure you have staff and leadership and advisory panels who push every single day for whether or not you are hearing the relevant outside voices because it isn't straightforward, and I don't think we have it done.

A week ago, I was lucky enough lots of people have hosted smaller forums than this where I can both communicate what we are going to focus on, how we are going to focus, but also learn from other people what they would do in my shoes. There was a session at my foundation that 10 foundation colleagues came and were very significant truth tellers. No notes were taken. It was an important session for me to hear what would they do if their organization doubled, and this issue of having the appropriate antennae how do you say that plural? Antennae. Judith referenced it this morning.

MS. AVIV: See, she didn't ask me. I suppose my accent.

[Laughter.]

MS. STONESIFER: That came up over and over again. People had different ideas of different ways at different parts of the organization, including don't add so much staff, rely on the outside for growth, because the bigger your staff gets, the harder it is for the knowledge not just to get to one program, but to get across programs, which is one of the biggest fears, that you will learn something brilliant here, but will it hit here and here.

I think that we are going to have to have a very devoted effort to have the right antennae.

MS. AVIV: The last question before I ask the audience has to do with your governance system.

When we were working on the panel, the non profit sector, do you remember I talked about sometimes they disagreed mightily? Well, one of those mighty discussions was about how many board members one should have.

Here is what is being said, and I think this is a hard one to muddle through. I think it is quite well known that you have a limited number of board members at this point in time.

MS. STONESIFER: Three.

MS. AVIV: This is a huge amount of money to give away.

Now, it is true that it was the living donors who gave the money, and they are on the board. That is part of the patent of what happens with family foundations, but there is a question about so much money being given away by so few people to causes that serve civil society in broad ways. Is there not a need to have more board members, and should those board members be outside people? How do you get there? What do you think about that?

MS. STONESIFER: Well, I agree that there is need to have very authoritative senior voices from the outside giving us advice and assistance, and the blend of our work and the scope of our work, what we have chosen to do is, in fact, develop over the next 6 months, three very senior advisory panels.

You know the way we are structured is that we have three major programs, each led by a program president. Alan Goldston is the president of the U.S. program. We have a global development program focused on increasing opportunity and reducing hunger and poverty in the developing world. That is led by Sylvia Mathews, and the health program by Tachi Yamata. So we will have advisory panels of up to seven folks for each one of those who will review strategy, look at the critical impact assessment, say not only are you delivering those vaccines, but are you changing health in those countries, are you preventing disease or are you just getting more kids into clinics, are you counting the inputs or are you counting the change.

I think those advisory panels need to really play a significant role in assessing the most important question, which is are you listening well, are you applying what you have learned against the work, are you making the right choices and tradeoffs because, even with our resources, there will be really significant tradeoffs.

By having Warren and Bill and Melinda as the trustees, we recognize that we do need a different approach to governance that allows us to ensure that the work itself is really getting the benefit of very senior outside stewards who will take that role very seriously.

I would also say, though, that boards play an important role on both fiduciary responsibility, which I am perfectly comfortable that Warren and Bill and Melinda will look after their money extremely well, but the second part of it is the strategic

MS. AVIV: I wouldn't mind if they looked after my money too.

[Laughter.]

MS. STONESIFER: Yes. And that is one of the additional dilemmas of the way that Warren did this, as so many people are saying is there another organization they can give their money to, which is a whole other session we can do.

MS. AVIV: That is right.

MS. STONESIFER: But the key thing I think is that in this mixed role that boards often have, you either find people who are really good at the fiscal stewardship or people who are divided across a complicated foundation's portfolio, maybe add impact to one part or two parts or three parts. By having these three advisory panels, we are recognizing I think that our scale requires that perhaps we have even a higher level of scrutiny and specialization than we would otherwise. I hope that that will serve a significant amount of the need.

MS. AVIV: You probably don't know this, and I am probably going to embarrass Lowell Weiss when I say this. Lowell Weiss is one of your colleagues at the foundation who was, until you snatched him into Seattle, one of our colleagues in Washington.

I remember when the panel on the non profit sector put out its report, he called me the next day, and he said, "I just want you to know what kind of impact you have had," and I said, "What's that?" He said, "Patty came into the room with the staff and looked at the travel policy and said let's take a look at what they are doing, if this is the right standard we need to change." So I guess there are lots of ways. It depends on how open you really are to change, and you really are open and accessible, and I appreciate that.

I am going to now put you on the firing line and see if there are any questions in the audience. Do we have any questions? Just put up your hand, and let us know who you are, please. The others can put up your hands and be ready in the meantime.

MS. NARASAKI: Hi. I am Karen Narasaki. I am the president of the Asian American Justice Center.

A lot of the speakers over the last 2 days have talked about the impact of globalization, and you have just talked about the structure for the foundation as health, international, domestic. So how are you going to work across those three sectors in recognition that a lot of these issues really have global dimensions?

MS. STONESIFER: Well, when Diana asked me to do this, I said that you have to recognize that we are a work in progress, and I would say that the leadership team that I have takes very seriously that there really is learning between efforts, that if we are talking about education as a key determinant of change for a family's health in the developing world, is there something to be learned from education not just in the United States, but in other places.

The belief in the globalization as a critical element here is a significant part of why the Gates Foundation exists and why Warren Buffett chose to give his resources to the Gates Foundation, this belief that all lives have equal value, no matter where they are being lived, and that there is something to be learned both from the reduced cost of certain things in the developing world, as well as from the increasing cost and the inequity between.

But the bottom line is that we are still working it out exactly because we are developing so much still the individual programs. Even between the health and the development, one worries about childhood nutrition as a public health. The other one is doing agricultural development. So, though I have created a cross organization team, we have cross organization teams about diarrhea because the folks working on water, trying to improve access to clean water, need to be talking to the people who are going to create vaccines and try to support the development and rollout of vaccines that will reduce diarrhea. So those things are really entwined across.

So we do what many multiple mission organizations do and try to create motivated teams that share knowledge and information across the organization.

Are we perfect at it? We aren't. We don't want people to have to come in through different doors, depending on whether the child got the diarrhea from X or Y or Z. We want to make the sum of the parts be strong. At the same time, we are learning so much still in each of those areas.

Our U.S. program in education, frankly, is tremendously different than the first grants we will make around the quality of education in the developing world. They certainly consulted with the U.S.

education experts, but they also realized that there was a limit to how much knowledge really could transfer from the U.S. education system into the Mozambiquan system, and that it was very important to ensure that you got the majority of your voices from the places where the problem exists.

Do you have an idea that you wanted to share, a best approach?

MS. NARASAKI: I just think that Andrew Stern's presentation on Sunday where he is talking about we really are in a totally different paradigm and not just the corporate sector and not just the labor, but the philanthropic sector, and it is interesting to me that you are basically going to be a global or could be a global foundation in a way. So what kind of leadership you show in that in helping the sector figure out how we are going to step up to that global leadership as well I think is going to be a very interesting challenge for everybody.

MS. STONESIFER: Well, 75 percent of our funding is focused on the needs of the developing world, on the folks living on less than \$2 a day. The truth is the majority of the funds go to organizations that can do probably too many of the funds go to organizations in the developed world who can do the research, who can find the solutions, who can identify the new knowledge or data systems.

One of the great things we hope to see over the decade ahead is, much like the partnership for the Green Revolution in Africa, that you will see an entire cadre of young scientists coming forward. While it is important to have Monsanto at the table, wouldn't it be great to have a tremendous amount of the solution as Rockefeller has done over the last decades come from African scientists and have those African scientists working with those in the United States and Europe to create solutions that really will transfer in both directions.

So I completely agree with the vision that you have and would be just overstating it if I said I know how to go forward. We are seeing that it is different in each of these parts. The agricultural one is probably one of the more straightforward examples.

MS. AVIV: Do you have a question here?

MS. DUCKENS: Yes. I am Delphia Duckens with the Girl Scouts of the USA, and my question is probably more procedural than intellectual.

My question is I was just overwhelmed when you said you went from 3,000 applications to 12,000 applications a month, and when the Warren Buffett announcement was made as a fund raiser, people were stopping me on the street and saying, "Haven't you gotten some of that money yet?"

[Laughter.]

MS. DUCKENS: Well, with 12,000 other people to compete for that money, how do you get the word out such that my boss and my colleagues know that this is not an easy process?

[Laughter.]

MS. STONESIFER: I think that is a \$3 billion question. It is a very, very important question, and I would say that that is one of the reasons why I am out and about these days, but at the same time, we are trying to improve our website, make it clear what things, and let's just be clear. We are not getting 12,000 grant applications, but increase. Right? But the more we push information out there about what our bull's eyes are in the U.S., the efforts around about improving graduation rates and the

quality of the education, the more that people understand those are the bull's eye, and that they can look at, but I would say that our website is probably our first most available vehicle. Then, if you have recommendations for how we reach those tens of thousands of boards and board members to more fully understand what the bull's eye is, I am really interested in knowing that because it is clear that that is a responsibility because we don't want to set people up to fail.

MS. DUCKENS: I just have one word in terms of how to get the word out. Television.

[Laughter.]

MS. AVIV: We have a question in the back.

MR. VANDEVENTER: Hi, Paul Vandeventer from Community Partners in Los Angeles. We appreciate the Gates Foundation investment in our schools, despite how difficult it was dealing with our former school superintendent.

The question that I have is I know that when Bill Gates and you were at Microsoft, you were always eye over the shoulder a little bit at Apple, the competitor out there, small competitor. What I would like to know is who are the Apple philanthropies that you are looking at as models in the work that you are doing today, maybe not looking over your shoulder, but looking at as other examples doing the kind of work that you are doing that may be smaller, more nimble, but focused in the same area.

MS. STONESIFER: It is a great question, and I would just say that we are looking both at history as well as those who seem to be driving in a unique way into the future. So both Bill and Melinda and myself and Warren in fact, I have this book, an autobiography of Abraham Flexner that Warren sent 12 years ago about "take a look at this guy." This is an interesting story about how this one man influenced so many givers to change the shape of medical education in the United States and what is there to learn from Abraham Flexner, and our main conference room is the Abraham Flexner Conference Room which we named 7 years ago, based on the influence that this one historical figure had on our giving, but the original green revolution and many of the other efforts that Rockefeller might have been.

But I would have to say everywhere we go, whether it is in Ohio and looking at Knowledge Works and the efforts that they have made and the donors that have been there or it is looking at Partners in Health, Paul Farmer's efforts, and the gentleman who was his original funder who literally kept going until he didn't have another dollar left to fund, those kinds of people have taught us a tremendous amount about how to make their work effective, how to learn as much as they can from a wide range of folks and then build a point of view and then be smart enough to test that point of view and decide whether you are right or wrong and then tune and tune and tune and then roll out, and that is what we have been looking at.

Frankly, it is exciting to see the Pierre Omidyars, but it is also exciting to see the level of innovation from Rockefeller folks in Africa that we learned so much from during the year that we really studied what to do if we were to enter the important field of agricultural productivity in Africa. So we take the lesson wherever we can learn it, and sometimes it is the community leader, and sometimes it is history.

MS. AVIV: Very last question, a quick one at the back.

MR. MANVILLE: Hi, Patty. I am Brook Manville from United Way.

I wanted to ask you about your role in disseminating knowledge and not just money. In addition to

lifting up the areas that you are focusing on and the kind of results that you are driving with your projects, what are your plans and hopes to spread more knowledge about the theories of change and the strategies that are actually working that others can partner and replicate?

MS. STONESIFER: I am glad you asked that because I get to say that I think we get a bit more credit for results than any organization as young as we are, can or should have. I would say we are results focused because we take a point of view against our giving. We say we want to reduce malaria, and so all of our grants and our strategies and our teams and our efforts are focused against a defined result, but to reduce malaria, we are at day one. I mean, I know we are much longer than day one, but really significantly at day one to determine the mix of how much of it is vector control and spraying and mosquito control and how much of it is research and development and what will it take to partner with the government of Zambia to reduce malaria by 80 percent.

So I think we do have a responsibility to put what we learn out there as much as we can, but I also have to say that I think that it is important to remember that whether it is on all kids college ready or the reduction of malaria that there are very early days, and we have a lot of inputs.

We know how many schools have opened or what has happened to attendance and what has happened to early years of HIV transmission in young people in Botswana, but to see the kind of impact, you are really thinking we can share and point to, it is some years out, and we are going to have some real failures.

We have had failures already, and we are trying to build a culture that embraces those, that people raise their hand very rapidly. It is a little hard to get the grantees to agree to have their hands dragged up when we have a failure, but with the kind of resources we have, we are going to have failures or we are not taking enough risks.

We have learned everything from how not to roll out technology into public libraries at the pace we originally went in Alabama where we were going way too fast and stopping story hours and everything else, but getting those computers hooked up and the librarians trained. If you think if you are supposed to be about public information and the public hasn't been able to find a library in a month, I am not sure how much you really achieved on that one, but the computers were hooked up and the librarians were trained.

[Laughter.]

MS. STONESIFER: We have case studies that we are putting on our site. We have got a half dozen case studies now. We did it this summer at some level in preparation for the fact that people are going to ask what did you do with the money you already spent and said, look, if an incredibly smart reporter was to come sit down and we were to tell them what we have learned, why don't we put that out there proactively. So I would say go look at these case studies because they have really good insights on what the team has learned on everything from Visceral Leishmaniasis to public library rollouts and others, and they will continue to put case studies and published case studies and recorder, but we have a lot to learn I think across the sector, frankly, about increasing the transparency not of the decisions we make, but of the results we get or don't get.

I think that has got to be a significant responsibility of every program officer, every director in the Gates Foundation, but it also requires that our partners are comfortable putting those lessons learned out there too, and we are trying to build that in from the beginning in our discussions now on every program and every grant that we are going to together tell folks about, well, that was a bad idea, but this looks like it has some real promise, and I hope you will see a lot more of that from us, but also from everybody in this room over the next decade. We owe it to each other.

[Applause.]

MS. AVIV: Patty, your coming here today is an example of the transparency that you were hoping for, your willingness to change your schedule, which I know you had to do to be here, to take our questions, to be singled a little bit by some of the tough questions we asked, but also the thoughtful way in which you have gone about this whole process I think is a model.

I know that the first time that I learned about this, you did actually have a public setting in which a lot of grantees and colleagues you had in a public sector. You were on Charlie Rose, or at least Bill and Melinda Gates were on Charlie Rose, and we had an opportunity to learn about it. The fact that you are thoughtful about it, that you are humble about it, you are hesitant about it, but also bold at the same time, I think is the kind of recipe that could very well make this succeed.

So, on behalf of everybody, we want to thank you and wish you the best, and keep doing t.

MS. STONESIFER: Well, I appreciate that feedback. I really do, so thank you.

[Applause.]

[End of The Buffett Effect session with Patty Stonesifer.]