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Innovative funding models for research: how philanthropy can provide opportunities for innovative funding, and for leveraging funds for research with public and other private funders

I confess I don't think I am going to say much that is innovative. In truth, I think there are few genuinely different or new ideas for funding research. The small number of alternative approaches are known and, therefore, none are particularly amazing.

But let me start by saying how important I believe research funding is. I have spent my working life as an economist in the public sector, as an avid user of research to inform policy discussions, in the private sector, where research was vital to guide decision-making, and now in the third sector, where the absence of a lot of relevant research is alarming.

The importance of research will sound obvious to this audience, but I plan to return to it at the end of my comments.

For now, let me concentrate on funding models. I think there are four basic 'innovative' ways to fund research. They will, I am sure, be familiar to many people here, but I will expand on them anyway.

In short order, they are:

1. Picking neglected areas of research to concentrate funding;
2. Designing funding so as to leverage in new money;
3. Designing funding so as to change behaviour of researchers, leading to better outcomes.
4. Co-production of knowledge, which I will define when I get to it.

I think that is basically it. And that is the point. I don't think there are any other missing innovations. In other words, there aren't any profound innovations. There are no secret tricks which have been missed. I am excluding all-encompassing ideas like outcome-funding. All research funding is about outcomes, though I will say something about what type of outcomes later.

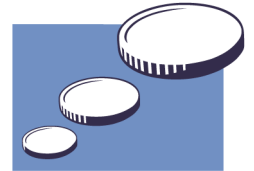
And I want to ignore different ways of funding organisations—organisation level funding, capacity building, funding tied to researchers and so on. This is simply in the interests of time.

Given the focus on the funding mechanism, my inclusion of the first—picking neglected areas of research for funding—is a bit of a cheat. But I am in charge of my brief, so I am going to include it. Moreover, it is striking that some so-called 'new money' is focusing on this. That makes it worthy of comment.

Most strikingly in this field is, of course, the Gates Foundation.

The Gates Foundation has committed large sums to research and tackle neglected diseases within its Global Public Health programme.

The Gates Foundation's Grand Challenges Exploration Fund is an example of philanthropy supporting innovative research. This is a more flexible and innovative version of the Grand Challenges in Public Health programme running since 2003.



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Gates' interest in neglected areas of research funding is well-known.

The same spirit can be found in a range of other fields which are less prominent. The Shirley Foundation's funding for autism research; the Monument Trust's recent grant of £5 million to the Parkinson's Disease Society, to name just two.

One could also look at other funding less overtly designed to address neglected areas. My own organisation, New Philanthropy Capital, is finalising research into a practical tool to help charities measure their impact on children's well-being. This has been funded by individual donors on our trustee board who recognise that UK foundations often do not like to support research.

The second innovative approach is to leverage in more funding. Again, that hardly sounds radical, but it is important.

A large-scale example of this is the work of Atlantic Philanthropies in Ireland.

This was designed to boost the volume of research funding going into Irish universities. It was specifically aimed to improve the state of knowledge and the labour market in the Irish economy.

The programme—called The Programme for Research in Third Level Institutions—was co-designed with the Irish government. It was launched in 1999 with €206 million, 54% of which came from the government and the remainder from Atlantic Philanthropies. This total grew over three cycles to €320 million, 82% of which came from government. Government has been pushed onto a more ambitious and serious funding programme for universities, building the capacity of the university sector. All in all, a very positive outcome from a sustained, but ultimately limited, private funding commitment.

One can find many other examples. At the Economic and Social Research Council there is a growing and vibrant programme of joint ventures where the ESRC co-designs and manages research programmes with other funders, many of whom do not have a track record of funding research. This has increased the volume of social science research funding in recent years.

The third innovative model is to design a research programme so as to influence the outcomes. To change the behaviour of researchers. This is increasingly widespread.

It is most clearly seen through the growing use of prizes.

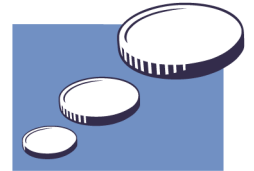
Research by management consultants, McKinsey & Co, shows an increase in the use of prizes to incentivise researchers.

Of the philanthropic prizes introduced before 1990, only 3% aimed to incentivise behaviour and alter outputs and outcomes. Of the philanthropic prizes introduced since 1990, 78% have included incentives.

There are two ways to regard this. You could find it dispiriting, a sad reflection on human behaviour and instincts. Or, if you are a cynical economist like me, you could regard it as a brilliant way of nudging researchers' to address the right topics.

Either way, this seems to be a part of the landscape now.

The fourth of my innovative approaches is the co-production of research. Again, this is perhaps a bit of a cheat, as it is mode of operation rather than funding structure per se. But, I think it is important.



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Parents with autistic children are frequently experimenting with diet to see if this makes any difference to their children's behaviours. Scientists are not working on trials to test such diets, at least not so far as I am aware. They are reluctant to undertake the research assessing these diets which they believe offer little realistic hope. Indeed, I believe the Medical Research Council has rejected applications for this on more than one occasion.

I think research needs to engage more with 'users'. Parents need to know—they want and demand to know—whether diet affects autism. Co-producing research with them would offer a real prospect of adding to the sum of relevant human knowledge. Ignoring this interest means research is not servicing legitimate needs.

Co-production of knowledge, not an altogether elegant phrase, is growing in relevance and becoming an important pillar of funding research. Whether it is any more innovative than the other approaches I mention is up to you. To many, I am sure it is familiar.

To the third sector, the co-production of knowledge is vitally important as an approach.

Let me say something about research funding and impact. Increasingly, researchers are under pressure to demonstrate impact. In the case of the UK research councils, pressure to demonstrate 'economic impact' and value has arisen most markedly in the wake of the Worry report of 2006. This stated that

Such thinking is now starting to permeate the way research councils fund and, through the proposed Research Excellence Framework, the way they think. Twenty five percent of the assessment of research is to be determined by impact.

Many think this is egregious. As a non-academic member of a research council here in the UK—the Economic and Social Research Council—I think it makes perfect sense.

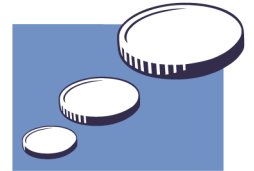
I am frequently asked whether so-called 'new philanthropists' are interested in social justice. An alternative question, asked less often it must be said, is whether they are interested in research.

To some extent this is a non-question. They are interested in outcomes. Research per se interests them little. It is the production and application of research which fires them up. That is, in truth, no different to the mass public. General donations have made Cancer Research UK one of the UK's largest charities not because people care about research into cancer, but because they understand this is a good way to improve the lives of those affected by cancer. Research is, quite simply, a means to an end.

The donor who comes to NPC and ends up funding tiger pussycat trials into prostate cancer is not interested in research. In this case, he has made his money through entertainment, about as far from research as one could imagine. He has, though, had friends or family affected by prostate cancer, gets the logic of the trials, and is willing to support them.

In this case, the funding is supporting early-stage research which could be picked up by industry later on. As such, it represents an example of leveraging in extra money over time.

I mentioned earlier about the problems of research in the third sector. I want to end with an appeal. This conference is about research funding. I think there is a parallel agenda about research into and research for the third sector. At my organisation, New Philanthropy Capital, the relative lack of serious and useful research into charities is striking.



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I think charities need to be taken seriously as objects of analysis and research. And, also, as audiences for research and analysis. Foundations have an important role to play here, as do public sector funders of research. To some extent, this is changing. In the UK we have two ESRC research centres, the largest of which, the Third Sector Research Centre, has recently started work.

More private foundations also need to take such research seriously.

There is a basic problem in the way research is produced and used in our sector.

I think foundations need to think about the scope for them to do three simple but profound things. Foundations should, in my opinion:

1. Support and fund evidence about the work and effectiveness of charities;
2. Use evidence about the work and effectiveness of charities to direct and shape their own funding policies;
3. Share this evidence to ensure all who might benefit have access to it.

It is a good thing for foundations to get together and talk about research. But they might also benefit from thinking about how they produce and use research into the organisations they fund, not just the way they fund research as a distinct activity. That too would be a welcome innovation.

Thank you.

***Martin Brookes was speaking at the European Foundation Centre's European Forum on Philanthropy and Research Funding Annual Conference
2 December 2009***