

Overview of Bill & Melinda Gates Foundation Grants to For-Profit Organizations

This document provides an introductory overview to for-profit companies interested in receiving grant funding from the foundation. Our goal is to establish an early understanding of the foundation's objectives and conditions for providing grant funding, and to highlight some of the ways that grants are different from commercial contracts and other traditional funding arrangements.

Charitability Requirements:

The foundation is a private foundation governed by US tax laws that require our funds to be used for charitable purposes. This means that the funds must directly achieve clear and measurable results to help the intended beneficiaries of our strategies (e.g., polio, nutrition, college-readiness, financial services for the poor). Our funding is not the same as that of an "angel" investor or a venture capital firm. As a result, we do not focus on commercial metrics of success, such as profitability, market share, ROI, etc., as other typical investors.

In order to establish charitability, every proposal for a grant from the foundation must include a detailed statement describing the charitable purposes of the proposed project, and why the proposed grant is the most efficient or effective means of achieving that purpose. There are many ways to ensure that projects achieve charitable outcomes. For example, we might agree that foundation funds should only be used in certain geographic locations with a high proportion of target beneficiaries, or to benefit certain people (usually poor or otherwise disadvantaged), or for certain types of products or services that are of particular need or benefit to them.

Specific metrics will be established to measure the grant's charitable outcomes on behalf of our target beneficiaries (e.g., establishing the volume of agricultural products that must be sold to smallholder farmers at an affordable price, or of vaccines that must be made available at affordable prices in low-resourced countries; providing low-cost digital innovations to public school systems). Any benefit to a for-profit partner arising from our funding (e.g., an increase in customer base or revenues) must be incidental and outweighed by the charitable outcomes to be achieved. You will be asked to prepare a written proposal and budget, and enter into a grant agreement with the foundation, that demonstrates that these charitability requirements have been met. Establishing charitability and metrics to measure the outcomes of a project should be an essential part of your conversations with the foundation during the grant-making process.

Global Access, Funded Developments & Intellectual Property:

The foundation has developed a concept known as "Global Access" to help achieve both its programmatic objectives and charitability requirements. "Global Access" means the: (a) knowledge and information gained from a funded project will be promptly and broadly disseminated; and (b) Funded Developments¹ will be made available and accessible at an affordable price (i) to people most in need within developing countries, or (ii) in support of the U.S. educational system and public libraries.

To ensure Global Access, the foundation may require any or all of the following:

¹ "Funded Developments" means the products, services, processes, technologies, materials, software, data, other innovations, and intellectual property resulting from a project (including modifications, improvements, and further developments to Background Technology).

- A “Global Access Strategy” or “Global Access Commitments Agreement”, explaining the partner’s plans and commitments to achieve Global Access;
- Due diligence concerning rights in Funded Developments and Background Technology², which may take the form of an IP Report;
- A license to IP rights in Funded Developments and relevant Background Technology;
- Periodic updates on efforts to achieve Global Access;
- Collaboration with other foundation partners;
- Identification of the applicable regulatory pathways, plans and timelines of a Funded Development;
- Management of the intellectual property rights associated with Funded Developments in a manner consistent with Global Access; and
- Product pricing, volume and access commitments.

An important element of “access” is typically the ultimate price to our intended beneficiaries of a product or service. Therefore, Global Access may require establishing the price of products from manufacturers at close to the marginal or variable costs of production or of providing the services. For example, a product may be made available to the market at \$1 per dose (or unit), if this amount is what is affordable to the foundation’s intended beneficiaries. However, product price is only one element of “access.” In our U.S. Program work, for example, the particular price may be less important than a funding recipient’s demonstration that a certain percentage of its sales are made to school districts with a majority of low income and minority students. Regardless, implementation of Global Access requires ongoing commitments throughout the term of the grant and beyond.

Due Diligence:

Before awarding a grant, we are required to conduct due diligence on your ability to restrict the use of our grant funds to the charitable purposes of the project to be funded, and to track and report back to the foundation on how the funds are used and the progress of the project. This due diligence may differ from the typical “due diligence” an investor would conduct, but usually involves an inquiry into your ability to hold (and track) our grant funds separately from your other resources, your management’s and organizational experience managing similar projects (size and scope), and whether you will be able to provide sufficient detail on the use of the foundation’s funds so that we can ensure that funds were used in accordance with the project proposal.

Unique Grant Terms:

After the foundation approves a proposal for funding, the terms and conditions of the grant are reflected in a written grant agreement. Many for-profit companies find the following grant agreement terms unique: (1) a requirement to maintain grant funds separately from its other assets, either in a physically separate bank account or through separate bookkeeping accounts; (2) a requirement to track the time of all employees paid by any grant funds by keeping records of actual time worked on a project; (3) potential restrictions on the ability to award sub-grants to other organizations with foundation funds; (4) a results framework for capturing the specific programmatic requirements and metrics that the project is intended to achieve, and the submission of an annual report describing project progress; and (5) the requirement (imposed by US law) that the foundation be able to withdraw its support of a project and/or potentially recover funds in the event that funds are not used exclusively for the activities specified in the project proposal.

² “Background Technology” means any and all products, services, processes, technologies, materials, software, data, or other innovations, and intellectual property created by you or a third party prior to or outside of the project used as part of the project.

Because of foundation policy and requirements of US law, most grant agreement terms and conditions are non-negotiable.

Confidentiality:

Because we have a focus on achieving charitable outcomes, we view information obtained through our grantmaking as a public good. Our internal grantmaking and other systems support sharing of proposal documents, including with external reviewers. Unless otherwise specifically agreed in writing, you should not assume that information will be kept confidential and should not include any information in the proposal, budget or supplemental materials that you consider proprietary.

Questions?

This document is meant to facilitate conversations between you and the foundation and is not a complete description of all of the requirements, terms or conditions applicable to receiving a grant from the foundation. Please consult with your program officer if you have any questions on these (or other) topics related to foundation-funding.

Additional Resources

Bill & Melinda Gates Foundation Website

www.gatesfoundation.org

How We Work

<http://www.gatesfoundation.org/How-We-Work>

Expenditure Responsibility Guidelines

<https://docs.gatesfoundation.org/Documents/Expenditure-Responsibility-Guidelines.pdf>

Advocacy Guidelines

<https://docs.gatesfoundation.org/Documents/advocacy-guidelines.pdf>

Global Access

<http://globalaccess.gatesfoundation.org>