



Emmanuel College

# Papers

**Philanthropy in Education**

by

Mr John H McCall MacBain

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**Emmanuel College**  
**The University of Queensland**  
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Emmanuel College is Australia's ninth, and with St John's College, The University of Queensland's first residential college to gain affiliation. It was founded by the Presbyterian Church of Queensland in 1911 with the first students taking up residence in Wickham Terrace in 1912. As the Presbyterian Church moved towards partnership with other religious denominations during the 1970s, Emmanuel College also came under the auspices of the Uniting Church. Upon its inauguration, Emmanuel College was an all male residence but this changed in 1975 when women were admitted as collegians. Now, the College numbers around 340 students with half our population being female.

Further change was experienced by the College when it moved in 1956 from its original site in Wickham Terrace to its present location on the main university campus in St Lucia.

Since 1911, Emmanuel has stood for excellence in all round education and has had seven Rhodes Scholars during its history. Its graduates have gone on to make a major contribution to Australia in many areas, including as doctors, scientists, teachers, engineers, lawyers and judges, politicians, ambassadors and diplomats, and church leaders.

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## THE AUTHOR

### Mr John H McCall MacBain

John McCall MacBain is the founder of the McCall MacBain Foundation and Pamoja Capital SA, the Foundation's investment arm. To date, the McCall MacBain Foundation has made over \$163m in grants, including a \$121m donation to the Rhodes Trust to fund scholarships, and other substantial financial and working support for a variety of educational institutions. It is active in the areas of education, healthcare, the environment and issues related to the affinities of the Founders, especially in education and community life, and other areas where the Foundation can make a difference in the future.

From 1987 to 2006, Mr McCall MacBain was the Founder, majority shareholder, President and CEO of Trader Classified Media, the world's leading company in the classified advertising sector. The company was sold in 2006 for more than \$2 billion.

He is a Rhodes Scholar and received an MBA from Harvard Business School, an MA in Law from Oxford University, a BA in Economics from McGill University as well as an LLD from McGill, Dalhousie and Brock Universities in Canada.

Mr McCall MacBain is the Chairman of the European Climate Foundation, a member of the Yale Advisory Board of the Center for Environmental Law and Policy, and finances the OECD Roundtable on Sustainable Development. He is a Trustee of the Mandela Rhodes Foundation (Cape Town) as well as the Second Century Founder and a Trustee of the Rhodes Trust and is a long-time member of the World Economic Forum and the Young President's Organization (YPO). In addition, Mr McCall MacBain is on the Executive Committee of the McGill Campaign, is a Foundation Fellow of Wadham College, Oxford and actively participates in many charitable activities.

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## Philanthropy in Education

Principal and distinguished guests, thank you for inviting me to Emmanuel College at The University of Queensland to talk with you this evening about philanthropy in education.

When asked to give this lecture, my first thought was that of Queensland actor Michael Caton when he played Dale Kerrigan in *"The Castle"*... *"Tell him he's dreaming"*, I thought. However my second thought was, *"And now for something completely different."*

My link to philanthropy in education starts on the recipient end. I was the beneficiary of a scholarship to each of the three universities that I attended: the James McGill Scholarship at McGill University, the Rhodes Scholarship at the University of Oxford and the CMHC Scholarship to Harvard Business School. I knew then, and I am sure now, that I would never have left my home country of Canada if I had not received these scholarships and I would not be here today.

Philanthropy is giving money, time, ideas and counsel to worthy charitable organizations. On this count, my philanthropy story perhaps began with my late father who was generous with his time, ideas and counsel for community groups where he served as President of our local YMCA, the Children's Aid Society and he was even involved with the beginnings of the creation of a new local university, Brock University, near my home town of Niagara Falls, Canada. I guess my personal philanthropy, at least in giving my time, started when I gave up wrestling at the end of Grade 11 to become involved in student government as Grade 12 representative and then Student Council President.

I am now a "real", but first generation, philanthropist after 19 years as the entrepreneur-owner of a large media business called Trader Classified Media. Trader was active in 23 countries with 7,500 employees. I sold the companies in between 2004 and 2006. In Australia, we owned the Trading Post classified papers across the country including the Personal Trading Post here in Brisbane which was ably run by Paul Fell who is here tonight.

This evening, I will be reviewing two areas concerning philanthropy in education:

First, some thoughts on philanthropy in general and in education.

Second, some personal examples of philanthropy in education and some lessons we have learned and ideas we have considered, including new challenges to traditional education.

Indeed, I do not have all the answers to philanthropy in education so I would like to invite questions and comments at the conclusion of my remarks. This will also make our time together a bit more interactive and focused on areas where you have specific concerns.

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The first part of my address concerns my thoughts on philanthropy in general and in education.

In 2007, when my wife Marcy and I started the McCall MacBain Foundation, I insisted that we *target the big problems that were being ignored*; that we avoid the supposed trap of those with money who are asked incessantly to help those with whom they have some local affinity. We all know these projects: the local museum, the local opera house, the local hospital and so on. I was not saying that these are unworthy causes...they are very worthy, and they do deserve some of our funds, some of our time and some of our attention. But with a large foundation, I believe that we must look beyond, indeed we have a duty to look beyond since we come from relatively wealthy communities. If we just help there, *who will help those we do not see?*

I insisted that we must look globally, both geographically and in our vision. I insisted that we spend our major commitment in time and money looking outward to those “big projects” that could make that big global difference. This is a major challenge, but it is one that we set out to meet when we founded the McCall MacBain Foundation almost seven years ago.

It is a task that demands not only the analysis of vertical sectors and the facts and statistics around these sectors, it also requires a cross sector view. Do you look to one disease or one issue and try to focus on it globally? Or should you focus geographically on one area or one country and then in one sector, or many? Do you provide only grants or do you try to operate your own projects? Are the best projects charities or social enterprises, or both? These are not hypothetical questions. They are being addressed on a continuing basis within our Foundation.

This was not an easy task and we have adjusted it along the way.

My original vision of targeting the big problems proved to be too simplistic and lacked stimulation. It turns out that working on the big problems does not equal big solutions. The philanthropic equation is much more complex.

Today we believe that our goal is to maximize the following equation: (Problem size X percentage chance of success X amount of money that actually gets to the problem X cost of success X level of your interest and hence sustainable assistance) = the Right Solution for your giving.

Originally, we targeted three general areas of philanthropic efforts: Climate Change, Maternal mortality and Education. We initially focused the last two in Liberia, West Africa and bolstered our philanthropic efforts with a social enterprise. Although we had some successes, we underestimated the percentage chance of success, the amount of money that actually gets to the problem and the cost of success due to corruption and a severe lack of capacity in Liberia. We were not getting the best solutions for our philanthropic or social enterprise dollar and, due to our frustration, we were less interested than we should have been and hence our level of sustainable assistance was waning. As one of our members disparagingly remarked, *“No good deed goes unpunished.”* This was not the right solution for our giving.

We decided after several years to focus the majority of our foundations donations on education, principally scholarships, with about 20-25 percent for climate change and the last 15 percent for maternal mortality and other issues.

Climate change remains a difficult philanthropic effort since results, and correlation of your efforts to those results, are both difficult to determine. However, despite spirited discussions at the foundation board level, we decided to stick with Climate Change since family foundations are unique in tackling multi-generational issues like climate change and it is a big problem and we were seeing some successes. I was the co-founder and Founding Chair of the European Climate Foundation and we have given them about \$30 million.

So how did we come to education and primarily scholarships as our major area of interest? Donald Johnston, our foundation Chair and former head of the Organization of Economic Co-operation and Development, the OECD, was a strong proponent of education as the only long term solution to many of the seemingly intractable issues of today's world. His logic was not only based on the “teach a person how to fish, don't give them a fish” logic, but also it was based on empirical evidence he had developed at the OECD in Paris.

As well, universities, especially public universities, are efficient philanthropic long term investments. If we go back to my equation: (Problem size is varied, but universities do look at big issues X percentage chance of success is learning and research which have different but a good risk adjusted success rates X amount of money that actually gets to the problem which is high due to efficient universities with no corruption X cost of success which is reasonable X level of your interest and hence sustainable assistance which, with the engagement we have with students and the universities, we are kept engaged) = the right solution for our giving. The top US, Canadian, Australian and UK universities are first-class institutions leveraging change in our world.

Furthermore, our focus on scholarships comes from several directions. First, I believe that our world is a better place as a meritocracy and scholarships are one way to ensure that the best students and future leaders have the chance for a first-class education. Second, although I agree with my fellow Rhodes Scholar Malcolm Turnbull in his Hamer Oration in 2012 when he talked about philanthropy:

*“Some like to term this altruistic impulse “giving back”, but I don’t think that is the right language. After all, it is not like giving a book back to a friend from whom you have borrowed it. Philanthropy is not returning something that belonged to someone else, it is voluntarily surrendering that which is yours purely for the benefit of others.”*

In my particular case, “giving back” to those scholarships that benefitted me was one of my impulses.

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The second part of my address will provide some personal examples of philanthropy in education and some lessons we have learned and ideas we have considered, including new challenges to traditional education.

Over the last couple of years, our foundation has committed almost \$150 million to education, primarily to scholarships. The McCall MacBain Scholarship Network includes scholarships for many levels of students of higher education. We committed \$3 million to the Trudeau Foundation Scholarships in Canada for PhD scholarships. We donated \$125 million to the Rhodes Scholarships, including about \$7 million to the Australian Rhodes Scholarships, for students pursuing a second degree and \$5 million to graduate students of the Faculty of Arts at McGill University. We provided over \$6 million to the Mandela Rhodes Scholars in South Africa for senior year or masters degree studies. We also fund the Loran Scholars for students going to university from

high school in Canada and lower income students going to Victoria University in Melbourne. In addition, we have also funded university research on maternal mortality drug research at Monash University and numerous other educational projects to a smaller scale. While each is different, we have learned a lot about scholarships, educational grants and their impact and programs.

Here are some of the things we have learned and ideas we are thinking about given our granting history and future directions.

First, on endowments, be careful about take rates on institutional endowments that are greater than 5 percent, ideally 4 percent of the yearly percentage spending out of the total endowment funds. This is for two reasons. First, in a low interest rate environment combined with education inflation in many countries being greater than the general rate of inflation, take rates in the 4 percent range should allow for growth in the endowment to take into account the real education purchasing power of those funds. Second, it is an uphill battle to seek funds to build up an endowment that is drawing more than the 4 percent range since philanthropists would rather see their monies go to new projects than reinforcing the past. This is the case of the Rhodes Trust which currently draws over 7 percent on its endowment, although we have been fortunate to have some one-time expendable donations to assist us. For institutions in this bind, like the Rhodes Trust did, people like me who have an enduring link to the institution may be the best source of philanthropy to assist in these situations as long as the institution can show a road to the 4 percent range over time.

Second, most of today's philanthropists and all of today's first generation philanthropists, will only provide large donations to institutions with solid accounting and financial records and controls, including an independent and qualified audit committee and board that understands the institution's finances. In general, strong governance standards are a must for large gifts. Further, if the funds are for endowment purposes, most of today's philanthropists and all of today's first generation philanthropists will insist on professional endowment management. For example, the two recent large gifts to the University of Oxford system, the Morritz lower income scholarships for UK nationals and our gift to the Rhodes Trust both insisted that the funds be managed by the Oxford University Endowment Management or another like diversified portfolio manager.

Third, today's first generation philanthropists are looking for entrepreneurial institutional leadership that will keep updating the institution to assure it is relevant for the tasks before it in the years ahead. At universities, we look to

visionary yet action-oriented Vice-Chancellors, like Peter Høj at this university. Given changes in the educational sector and the perpetual nature of a large gift to the endowment, status quo administration will quickly lead to institutional irrelevance.

Fourth, we like to see that the educational institution, like the Rhodes Trust or a university, is engaged in all three branches of development.

The first branch, large gifts or the capital campaign major donors program, needs to be professionally run with answers to all of the important items that I am outlining and needs engagement and leadership from the board.

The second branch, annual giving, usually gifts by alumni and friends and hopefully starting at graduation with small amounts, is a key part of any development effort for three reasons. First, it engages alumni and friends of the university which can lead to major gifts in the future. One needs to look no further than Princeton University to learn from a very successful annual giving campaign, spearheaded by class reunions. Second, annual gifts, on a sustained real basis, are like a one time capital gift of 25 times that yearly amount at a 4 percent take rate. Multi-year commitments taken on credit cards or direct debit and renewals are key, as is participation. Public universities should look to participation rates from the mid-teens to twenties as an initial target, with coordinated effort leading to even higher participation. Third, major donors look very favorably at institutions with high participation rates. Major donors then feel that those who experienced the institution, value it, want to “give back” and care about it. For the Rhodes Trust, I want us to reach for a 50 percent participation rate in the years ahead. For scholarships, the notion of giving back is a clear motivator for annual giving of alumni since, unlike the university itself, scholarship recipients paid nothing for that privilege. Universities should target former scholarship recipients for a similar reason.

The third branch of development is planned giving or testamentary gifts. With rising housing prices, this area will be a key driver of development results, but, like annual giving, it needs participation. I think that universities should review best in class institutions to learn how they approach, market and set up planned giving. For the Rhodes Trust, we remind alumni that it was Cecil John Rhodes’ will that set up the Rhodes Scholarships. We set up the Rhodes Society that recognizes those who have put the Trust in their will. Perhaps universities could refer to major bequests that formed an important part of their university as an example when seeking planned giving. Universities should also create a special class of donors and donor events for major planned givers, obviously before their gift is crystallized.

Fifth, everything is personal and people involved in both the development process and, especially, the governance of the institution, need to have what I call the three Cs: Care, without conflicts, Competence and Capacity or time for the proper governance of the institution. I am less concerned and if widespread, I am concerned, with too much independence. I want people involved in the governance of the institution who really care, because they are alumni, because they are a member of the community that depends on the institution or surrounds it, because they have donated to the future of the institution or because they care for other bona-fide reasons. Remember, *“no one ever washed a rental car”*, just as parents are the ideal caregivers for their children since they care. Indeed, some family foundations that get too far from the family, may tend to become big independent institutions that no longer reflect the family wishes and values that inspired the creation of the foundation. These foundations may become the domain of self-serving administrators. Universities and other educational institutions need to be wary of too much independence in their governance structure since the flip side of true care is conflicts.

Sixth, governments matter and philanthropy should not go where government should be providing the service. For example, tuition cash flow structure is an important government policy. I am encouraged by the Australian student-funding model which relates repayment of debt to future income capacity.

The high tuition rates and large fixed debt loads of students in the United States, for example, is a real barrier to meritocracy since, especially for lower income families, debt is seen as a bad thing, not a bridge for future liquidity that will provide for repayment. At 17 or 18 years old, with a family that has fought to keep out of debt, the prospect of six digit student debt is a major barrier to higher education in that country.

I look at the sources of university funding as a societal balance between personal benefit, corporate benefit and the overall benefit to society of the teaching and research. I admit that a university education provides significant student benefit and hence we should not fully burden a university education on the average taxpayer or corporation with no-one in the family who attended university or corporations who do not depend on university graduates. However, I have a major philosophical problem with tuition and how it is financed. Let me explain.

In business, debt is for two types of enterprises: enterprises with significant assets like plant and equipment, real estate or brands or enterprises with years of stable cash flow generation. Many businesses are a combination of both.

For *all* other businesses, like *start-ups, turnarounds and break-even or money losing businesses with no assets*, there is only one major source of financing, *equity*. Equity financing depends not on the history of the company but bets on a return by taking a percentage of the future value or earnings of the enterprise if successful, sometimes losing all the investment, but sometimes making many times the investment.

What are 17 or 18 year old graduating students, hoping to go to university by paying for tuition and other related expenses. For the vast majority, they are “start-ups”, with *no assets*, with *no history of stable cash flow*, and many are “turn-arounds” or “money losing” if we were to remove parental “*subsidies*”. So why does our society decide to finance students with debt, not equity? Something is wrong here. Indeed, Australia makes the debt variable on the downside, but unlike real equity, it caps the return on the upside to principal plus a fixed interest rate. Why don't we invest in the equity of our future students and not burden these start-ups with debt? Why doesn't society benefit when the private benefit to an individual student is great by getting more back than their actual tuition. Indeed, if all students were financed this way to avoid adverse selection, private groups could become involved. Perhaps there needs to be a cap as a multiple of tuition that could be recuperated which would be a function of the balance between equity losses and gains. Return or liquidity for the equity would need to be over time and not as a lump sum payment, leaving the country would need to be covered and cost of collection would need to be coordinated probably through the tax system. I think that a system based on these principles would be more fair for society. It would allow students to choose a career not based on early years' salary to pay off debt which is often the case in the United States, especially for my fellow Harvard Business School graduates.

Seventh, universities and other educational institutions should encourage matching gifts which motivate both the donor who is matching to give more since she or he feels they are not alone, and the donor who is matched gets one-time leverage on their giving, providing a bias to action at that given point in time. Many of our gifts involve matches like gifts to my Oxford College and to the Rhodes Trust. Many major gifts today, like the Morritz gift to Oxford, have components of matching by other donors or in some cases the university itself takes on the matching fundraising role or a combination of both. Some scholarships, like the Loran Scholarships, have convinced most of the major universities in Canada to give their students free tuition. This is a major leveraged match for potential donors.

Eighth, I think that public universities need to be given more independence from government mainly because you can't run a hundred plus year institution at the beck and call of education ministers who change frequently. My Rhodes Scholar friend Sean Riley runs a small liberal arts college in Nova Scotia, Canada. During his tenure as Vice-Chancellor, he has reported to 10 ministers of education. Is this the best way to develop long-term strategies for higher education institutions?

Ninth, education is a long term investment. One of the things that family philanthropy provides is a longer time frame to deal with inter-generational issues like education and climate change. With governments increasingly looking to the next election, longer-term investments are difficult to justify for politicians when there is no short term political gain.

Tenth, we expect our scholarship donations to encourage best practices within each of the scholarships and we want them to learn from each other. Leadership training, mentoring and internships are some examples of best practices. Perhaps the scholars should also be encouraged to look back to recognize the teachers that were instrumental to their success. Should student scholarships include a teacher recognition component?

Eleventh, educators at all levels need to be aware of the many new ideas that are challenging traditional education with online courses from Massive Open Online Courses or MOOCs like Edx, Udacity and Coursera for universities and more interactive online courses like Pamoja Education, our company, for the IB curriculum for the last two years of high school. Minerva is a new mixed online/offline high quality university offering and Khan Academy is like an online textbook. All of these innovations are challenging how we learn. I am encouraged that The University of Queensland joined the Edx consortium.

Twelfth, universities should seek outside financing solutions for non-core student services and miscellaneous services that are not core to their mission. These are not a good use of philanthropic dollars and are better suited to social enterprises or private capital. For research funding, I do not know about this area enough to have comments as to the balance among government, corporations and philanthropy.

Lastly, and thirteenth, the same number as my birthday, you need to be involved and interested in your philanthropy, be it education or otherwise. One family foundation I know decided to do "random acts of kindness" in their community to involve the founders in their philanthropy. Education is uniquely

placed to engage with their donors which makes repeat gifts and continuity of giving possible.

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In conclusion, philanthropy in education is as important as ever, but the institutions seeking these grants need to be prepared to answer many of the questions and issues I have outlined, as well as many others. Philanthropists will no longer back an old memory or a past success. Philanthropy in education is dynamic and the institutions seeking these funds need to reflect this dynamism.



**Emmanuel College**  
within The University of Queensland  
*enriching lives since 1911*

**Ph: + 61 7 3871 9100**

**Fax: + 61 7 3870 7183**

**Email: [enquiries@emmanuel.uq.edu.au](mailto:enquiries@emmanuel.uq.edu.au)**

**Sir William MacGregor Drive, St Lucia, Qld 4067**

**[www.emmanuel.uq.edu.au](http://www.emmanuel.uq.edu.au)**