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Markets are emerging: what about philanthropy?

Guest editors: Filiz Bikmen and Maria Chertok

Includes interviews with Vladimir Potanin and Guler Sabanci

PLUS
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Innovation or imitation?
Does it matter?
Rob John

It matters how philanthropy in Asia will develop in the coming decade. Despite economic progress having lifted millions out of poverty in the last 20 years, half of Asia’s 1.63 billion people live on incomes of less than $2 a day. Personal wealth is being created in Asia Pacific at unprecedented levels – the number of high net worth individuals grew by 1.6 per cent in 2011 to 3.37 million, overtaking the number of wealthy in either North America or Europe – but wealth alone is no guarantee that the region’s philanthropy is risk-taking and transformative.

A study about to be published by the Asia Centre for Social Entrepreneurship and Philanthropy, supported by Fondation Lombard Odier, suggests that philanthropy innovation in Asia is driven by a new generation of wealth-creating entrepreneurs searching for high-impact models of giving that connect with their commercial acumen; by family-based philanthropies wanting to overhaul their traditional giving patterns; and, perhaps most of all, by the rise of social entrepreneurship.

**Entrepreneurial social finance**

**Venture philanthropy**

Financial services group Edelweiss wanted its corporate philanthropy to align with its entrepreneurial culture, so the EdelGive Foundation intuitively adopted a venture philanthropy approach by supporting social enterprises in education and livelihood development with funding and management support. Company executives and project teams volunteer their skills to offer non-profits a level of professional expertise normally beyond their reach.

The venture philanthropy approach is growing in Asia. ADM Capital Foundation, the philanthropic arm of a Hong Kong-based investment management company, provides finance coupled with hands-on strategic and operational advice to 28 non-profits in eight Asian countries. In Shanghai, Non-Profit Incubator has pioneered venture philanthropy in China since 2006 and today has ten initiatives covering four major cities.

**Giving circles**

The US network of giving circles Social Venture Partners International (SVPI) has slowly expanded in Asia, with affiliates in Tokyo and Bangalore, and there are now circles inspired by the model in Singapore, Seoul and Hong Kong. Social Ventures Hong Kong (SVhk), for example, was founded in 2007 to offer young professionals a platform for pooling time and money to help the island’s social entrepreneurs. SVhk seed-funded Diamond Cabs, a new high-quality, safe, wheelchair-accessible taxi service for the island’s 100,000 wheelchair users, and has a 51 per cent equity stake in the business.

**Impact investing**

Venture philanthropy and impact investing share a ‘venture capital’ model of finance plus management support. Avantage Ventures in Hong Kong estimates the potential demand for impact investing in Asia as US$74 billion in the ten years up to 2020. India has led the way in Asian impact investing since 2002 with Aavishkaar, now raising its second fund of US$120 million. Its first fund of US$14 million is deployed in 22 small and medium-sized companies across a range of sectors. With 30 per cent of global impact investing India-centred, and a large underserved market for low-cost goods and services, there are ample opportunities for impact investing and venture philanthropy to build capable non-profit and for-profit ventures.

Elsewhere in Asia philanthropists are experimenting with impact investing. Richard Chandler’s investment company makes impact investments ‘to transform health, education and leadership opportunities’. Richard Chandler Corporation directly builds social businesses in eight Asian countries to offer affordable healthcare and education services. Rumi Education,
Asia also needs a strong, innovative grantmaking sector. Venture Philanthropy has partnerships with low-cost ways of scaling up. Workers in small towns and cities need new business plans and execution skills to satisfy investor demand for both financial return and social impact. To build an adequate pipeline requires ‘enterprise philanthropy’, a niche of venture philanthropy focused on innovation.

The very restrictions that inhibit the growth of non-profits could be the touchpaper for an explosion in Chinese socially oriented businesses funded by impact investing. Impact investing in Asia is limited by the small number of social enterprises with sufficiently robust business plans and execution skills to satisfy investor demand for both financial return and social impact. To build an adequate pipeline requires ‘enterprise philanthropy’, a niche of venture philanthropy focused specifically on helping non-profits and early-stage social enterprises become ‘investment ready’.2

Venture Philanthropy has partnerships with local support organizations in Thailand, Vietnam, China and the Philippines to provide business incubation services.

Making grantmaking strategic

Asia also needs a strong, innovative grantmaking sector, which is strategic in outlook and complements venture philanthropy and impact investing. Our study revealed pockets of innovation in the relatively small and underdeveloped Asian grantmaking sector, driven by intrapreneurs who maintain a sharp edge to established foundations; by families who are revitalizing their giving; by entrepreneurial philanthropists in ‘green field’ markets like China; and by those adapting well-known western models like community philanthropy to local needs.

In addition to being a leading financial centre, Singapore is also a global leader in casino gambling. The Singapore Totalisator Board (the Tote Board) is both a gaming regulatory body and a major grantmaker funded by gambling revenues. The Tote’s Outcome Fund encourages Singapore’s non-profits to build outcome measurement into their programmes, backed by workshops that promote a cultural shift from only reporting activities to disclosing social impact. The Tote Board has also been at the forefront of microcredit and social enterprise incubation in Singapore.

The recent study by INSEAD and UBS on family philanthropy in Asia reinforces the role of giving in family cohesion and the philanthropic opportunities arising from intergenerational transfer of wealth and business ownership. Originally from Switzerland, the Zuellig family has made the Philippines the centre of its commercial interests. Over the last 15 years the family’s philanthropy has evolved. Instead of coming through the company’s CSR arm, much of it is now done by the Zuellig Family Foundation.

Many Asian countries have virtually no modern history of philanthropy. In China, one of the first foundations to appear in the 1980s, following new legislation, was Amity Foundation, established as the Zuellig Family Foundation (ZFF), Philippines.

In 1901 Frederick Zuellig moved from Switzerland to Manila, where he built a healthcare business that today is one of the largest privately held corporations in Asia. Family members remain active in managing the Zuellig Group and its philanthropy. From the early 1990s the group companies made humanitarian donations for disaster relief, and in 1997 a company foundation was established to coordinate CSR activity.

The family wanted to overcome the divide that left the poorest in society without access to health services, so in 2008 organized its own philanthropic programme, independent of the CSR activities of the group companies – the Zuellig Family Foundation (ZFF). Focusing on the Philippines’ high maternal mortality ratio (MMR), the foundation developed an innovative programme to build civic leadership at municipal level, and in two years saw a significant fall in MMR to levels that would help the Philippines meet Millennium Development Goal targets. ZFF expanded the pilot to more challenging rural settings, including Mindanao. Each municipality designed ‘scorecards’ to monitor the changes in key health indicators in their location. The programme is expanding to cover 20 per cent of the country’s priority municipalities, and from 2013 ZFF will collaborate with the Department of Health to roll out the programme nationally.
response of Chinese Christians to devastation brought about by the Cultural Revolution. In addition to its highly respected social development work, Amity is today one of several progressive foundations that actively promote and fund the development of philanthropy in China. Several new private foundations in China are focused on promoting social entrepreneurship. YouChange is developing university curricula on social entrepreneurship and promoting social innovation at major events such as the Shanghai World Expo.

Community philanthropy is little developed in Asia. There are probably no more than 20 community foundations in the region, outside of Australia and New Zealand, and clearly there is scope for expansion. The Phuket Community Foundation in Thailand was a response to chaotic relief coordination during the 2004 Tsunami. The Community Foundation of Singapore offers tailored donor services to a country where one in every six households has US$1 million of disposable wealth.

An effective ecosystem
Grantmaker support organizations and networks, an important part of the landscape in the US and Europe, are largely missing in Asia. The recent arrival of the Asian Venture Philanthropy Network (AVPN)

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CHINA FOUNDATION CENTER, BEIJING
Organizations recognizable as philanthropic foundations have existed in China only since the 1980s, and until 2004 all were strongly linked to state institutions. Over the last eight years legislation has allowed for the establishment of ‘private foundations’ endowed by individuals or companies. These now make up over half of China’s 2,882 registered foundations. The China Foundation Center (CFC) was set up to map this emerging sector and to encourage accountability and transparency. Conceived by philanthropy entrepreneur Xu Yongguang, a close partnership with the US Foundation Center, the Hauser Center at Harvard and the Ford Foundation helped bring the initiative to fruition in 2010. When CFC started only 16 per cent of financial information and 1 per cent of project information on foundation activity was available publicly; after two years the figures have grown to 90 per cent and 50 per cent.

CFC launched its Foundation Transparency Index in 2012. This uses 60 indicators to rank all the private and public foundations listed on its website. The index is updated weekly, providing a real-time analysis of ‘who is up and who is down’ in Chinese grantmaking transparency. CFC’s pioneering work is potentially a model for other Asian countries.

Imitation or innovation?
The philanthropy landscape is developing rapidly across Asia, yet the region must face the challenges of rising income disparity and environmental pressure. Professional Asians increasingly live and work in countries with longer modern philanthropic traditions; they will import and adapt models. Whether philanthropy in Asia is developed through imitation and adaptation or local innovation is irrelevant as long as it is risk-taking, focused on outcomes, collaborative, accountable and transparent.

For more information
The full study will be published in the second quarter of 2013 and will be available at:
http://bschool.nus.edu/acsep
www.fondationlombardodier.org

1 Beyond the Margin (2011) Avantage Ventures www.avantageventures.com