The business of philanthropy

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Some wealthy are taking charitable giving to the next level - one that is driven by clear values, goals and is also more focused on outcomes.

MANY wealthy Asian families are used to the idea of charitable giving, but a number of them are taking it to the next level, marrying business skills with their desire to do good.

The terms used in this emerging class of philanthropy are even adapted from finance, such as "venture philanthropy" and "entrepreneurial philanthropy".

Karin Jestin, secretary-general of Foundation Lombard Odier, says that while there is a lot more "strategic philanthropy" happening, the big challenge that philanthropists grapple with is the dearth of data on who is doing what.

"There is a change from traditional giving through the younger generation of philanthropists who want to apply a business approach, being much more strategic and focused in giving . . . Clients are engaged and supporting charities. But now they're less satisfied with just giving money. They want to see an impact."

She adds: "There is little data on philanthropy in Asia, so it's difficult to know who does what in which area. If you wish to engage, for example, in children born with autism, it won't be easy for you to know who is interested, what approaches work, how can you replicate what has been done, or find a niche for your intervention to have a maximum impact."

Strategic philanthropy differs from the traditional grant-making in that it is typically driven by clear values, goals and is also more focused on outcomes.
Foundation Lombard Odier commissioned a report "Innovation in Asian Philanthropy" by the Asia Centre for Social Entrepreneurship & Philanthropy at the National University of Singapore. The study is authored by Rob John, a visiting senior fellow at the Centre, research associate Pauline Tan, and Ken Ito.

Published earlier this year, the study points out that while Asia boasts one of the fastest growing millionaire populations, nearly half of the region's 3.26 billion people live on the survival threshold of US$2 a day. "It is reasonable to assume that as more citizens in Asia grow wealthy, that philanthropy will become an increasing component of spending. The challenge for Asia is not just to increase the volume of giving by the wealthy, but to make giving smart," said the study.

Lombard Odier & Cie earlier this year hosted roundtable discussions in Singapore, Taipei and Hong Kong to enable small groups of clients and panellists to share their experiences in giving and entrepreneurial philanthropy.

Strategic philanthropy runs a continuum where traditional giving sits at one end where the expectation for financial return is zero and one hopes for social impact. At the other end is venture philanthropy which seeks to maximise social impact, and any financial return may be recycled into new investments. Says Ms Jestin: "A space is growing, called blended value where you generate some financial return and also social impact . . . Microfinance took 25 years to develop. We're in an emerging industry. Some specialists hope it will become an asset class."

The study notes that while entrepreneurial philanthropy is a recent phenomenon in Asia, "it is perhaps surprising how much activity is apparent across Asia today". Its mapping exercise in 2011 estimated 58 funds, with the largest numbers in India (22) and Hong Kong (11).

The Singapore-based Asian Venture Philanthropy Network (AVPN), launched last year, is expected to help to nurture a community and drive action. Its website defines venture philanthropy as a "blend of capital and business advice to help entrepreneurial organisations" to achieve growth. It takes an "investment minded" approach to philanthropy, is characterised by an engaged and active partnership, and is performance based.

It has over 130 members from 20 countries, including private equity firms, wealth managers and family businesses.

The study by the Asia Centre for Social Entrepreneurship & Philanthropy reckons that some 22 Asian entrepreneurial philanthropy funds have joined AVPN, which it says is a "very conservative estimate" of the entire landscape.
Here are some interesting examples highlighted in the study:

* Social Ventures Hong Kong (SVhk). SVhk established a "dual-engine legal entity" that allows grant-making and social investment. Within five years, the group established a venture philanthropy fund supporting a diverse portfolio of non-profit and social enterprises. Its most hands-on venture today is Diamond Cabs, a high-quality safe wheelchair accessible taxi service for Hong Kong's 100,000 wheelchair users. Funding is raised from family foundations and individuals.

* Dasra Giving Circles (India). Founded by a couple Neera Nundy and Deval Sanghavi, it is described as India's largest collaborative giving effort. Each circle initially comprised 10 individuals, each donating one million Indian rupees (S$20,880) a year for three years. Search and selection of investees involves a rigorous process. It is forming Giving Circles around five pressing social issues in India - education of girls, improving Mumbai's public schools, child malnutrition in urban slums, empowering adolescent girls and enhancing youth employability.

* Tote Board (Singapore). The Singapore Totalisator Board is described as an innovator in Singapore philanthropy. It receives its funds from gaming surpluses generated by the Singapore Turf Club and Singapore Pools, and from casino entry levies. Over the last three years, it has created three funds - the Social Innovation Research Fund; Outcome Fund and Social Enterprise Fund.

The Social Innovation Research Fund encourages academics to undertake research with practical benefits to society. The Outcome Fund sought to introduce the idea of outcome measurements to non-profit organisations. The Social Enterprise Fund supports social entrepreneurs.

The Tote Board also funded two social enterprise projects. The MicroCredit Business Scheme hopes to help low-income or unemployed Singaporeans who have no collateral or credit history to build enterprises. The Caring Fleet aims to provide a dedicated transportation service to people with limited mobility.