



Philanthropy
Impact

Magazine

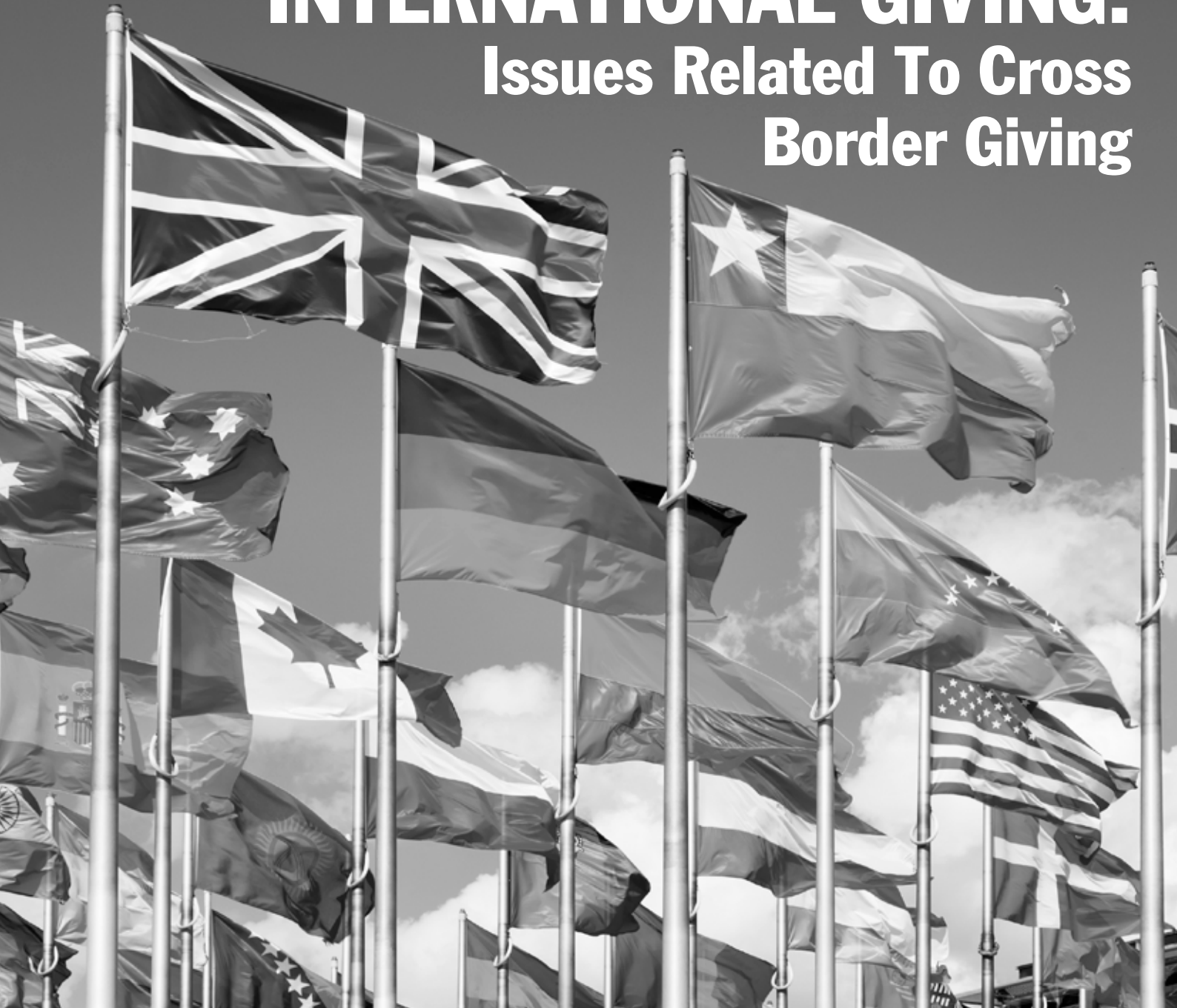
Issue 9: Autumn 2015

Rupert Strachwitz

reviews transnational giving, legal and regulatory issues and solutions across Europe

Taxation of cross border philanthropy in Europe Hanna Surmatz defines the issue and explores agreeing to a common core compatibility test within the EU

INTERNATIONAL GIVING: Issues Related To Cross Border Giving



PLUS: Michael Diedring tells the story of a refugee and addresses the role of philanthropy as part of the solution

Poonam Joshi and David D Mattingly detail the losing space for civil society – a global trend to control NGO's and its implications on philanthropy

International Giving: Issues Related To Cross Border Giving

'We are a world of wall builders, practitioners, and dividers of space. We long for the security of safe places. We construct these barriers in a vain attempt to control the elements, to keep the rain from dampening the fire, the wind from covering ours lives with the inevitable dust. Many of the walls we build are essential to our survival. Many, however, are not. By fortifying the unnecessary walls, we... huddle in the systems we have closed. The consequences: thinking decays and novelty vanishes.

Open Boundaries- Howard Sherman and Ron Schultz 1998

This edition of the magazine just begins to scratch the surface of transnational giving. Concerns about regulatory, legal, tax and political issues are worrying to philanthropists and social investors. However, giving across borders presents a significant opportunity to philanthropists, social investors and to service delivers.

One of the major trends currently hitting the philanthropy sector is the changing demographic of business leaders and individuals looking to drive social change. Businesses operate internationally, families may be scattered about the globe, and partners in the same project may be subject to wildly different environmental conditions. Though the world's biggest problems are rarely limited to individual states and the desire to have a global impact remains strong, there is still a litany of inefficiencies in the world of international giving. Frequently these complexities are driven by a prevailing ideology – whether political, cultural or economic.

For example, in an op-ed piece in *The Financial Times* 2 June 2015 written by Mark Carney and Bertrand Badré entitled *Keep finance safe but do not shut out the vulnerable* they state financial institutions, due to tighter regulation on money laundering, must mitigate risk in international financial transactions and the result is that 'charities, and companies involved in remitting funds from overseas, are feeling the pinch. It would be wrong to ignore such consequences.'

Many donors and grantmakers are keen to donate abroad but their ability to do so could be impacted by the level of market maturity and regulation, the presence of capital controls and trade sanctions, instability or unsuitable infrastructure, or cultural attitudes reflected in the law. Even if able to donate abroad, there is no guarantee of it being put to work effectively.

Further complicating the situation as described in the article *The Phenomenon of The Closing Space For Civil Society* there is a world wide trend of governments restricting the activities of charities. This has major implications for philanthropists. The article outlines some key actions that philanthropists may take to address this.

Under these circumstances there are a number of solutions available – including bespoke philanthropic structures, existing bilateral agreements and third party networks. This edition of the magazine explores the issues around international philanthropy and private giving across jurisdictions.

Philanthropy Impact: Vision and Mission

Our vision is to increase philanthropy and social investment across borders, sectors and causes.

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We do this by delivering activities that include:

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- Lobbying: we advocate for policies and regulations that encourage philanthropic giving and social investment

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The purpose of the magazine is to share information about philanthropy in a domestic and international context. We welcome articles, letters and other forms of contribution in Philanthropy Impact Magazine, and we reserve the right to amend them.

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*'I believe Philanthropy Impact has
a key contribution to make as
a forum to encourage more –
and more effective – philanthropy
and social investment through the
exchange of ideas, spreading knowledge
and improving the professional
advice available.
This is more important than ever.'*

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Transnational Giving: Going Global

Dr Rupert Strachwitz (www.strachwitz.info)

On June 15, 2015, the Washington, D.C., based Center for Global Prosperity, a research affiliate of the conservative policy think tank Hudson Institute, released an *'Index of Philanthropic Freedom'*¹, drawn up to provide “a detailed analysis of the legal barriers and incentives to philanthropy in both developed and developing countries.”²

Local experts from 64 countries contributed to the study, which includes country-specific reports, trends, and policy recommendations. One of the categories used to establish the relative position of the countries included in the survey, was a cross-border score, based on two out of seven questions asked. These questions were:

- (6) To what extent is the legal regulatory environment favorable to receiving cross-border donations?
- (7) To what extent is the legal regulatory environment favorable to sending cross-border donations?

Asked to score the situation between one and five, with one representing an environment that impedes philanthropic activities, and five representing an environment that supports them, the experts produced a very diverse picture. While the Netherlands got a 5.0 score, ranking first, Saudi-Arabia, ranking last, only reached 1.5. Interestingly, while European and North American countries tended to score better than others, the survey also showed that there was no direct relationship between scores and per capita GDP. E.g., Poland (approx. 15,000 US\$ p.a.) scores higher on sending donations across borders than does the United Kingdom (40,000 US\$ p.a.).

Beyond these numbers, what the survey tells us is that international, cross-border philanthropy has become part of the overall philanthropic scene, which in turn has gained in importance. This is hardly surprising. In an age where any news item, including of course major natural and man-made disasters, protest movements and the violation of human rights, spreads around the globe in almost real time, when more and more citizens have first-hand experience of travelling and even living outside their own country, empathy and compassion, followed by the urge to do something, can obviously no longer remain restricted to the local community. And even if they were, what is their community, considering more and more people build a life for themselves far away from where they were



Dr Rupert Strachwitz

born and join self-chosen communities rather than remain attached to the ones they grew up in? Besides, voluntary action has become a common feature and indeed a decisive force in shaping social change, policy, and governance to an extent unheard of even a generation ago. A citizen's reputation today depends quite largely on the scope and goals of his and her civic engagement, be that in time, ideas, or funds. It may well be that the events in Central and Eastern Europe as much as in other parts of the world from the 1980s created more awareness for what may be achieved when citizens unite and take action. Equally, more insight into practices that emphasize every human being's obligation to put aside part of one's wealth for charitable purposes (as is common in the Muslim tradition), may well have induced others to revisit the notion of the welfare state that purported to care for all the citizen's needs while in fact being less and less able to live up to its obligations. Finally, disenchantment with the performance of the state has certainly done more to empower civil society than any government programme. In short, philanthropy and giving, and civil society have gained momentum and gone global, and it seems high time to live up to this simple fact. More and more donors are ready to do so.

Remaining National

In practice, matters are not so easy. As the Hudson Institute survey shows us, enormous differences exist when it comes to whether donations across national borders are legal, technically possible, and tax deductible. A growing number of governments, Russia being a case in point, are successfully trying to clamp down on any foreign donations coming into the country. The reason given for doing so commonly has to do with foreign agents, suspected of supporting local initiatives set on causing trouble to the government. Frankly, this is exactly what civil society on occasion actually does and should do; an open society however should not just bear this out, but actively encourage citizens' involvement in shaping policy and bringing about social change, recognizing the fact, that in the 21st century, society as such has become global, as has the economy, and as have the issues and challenges we are urgently called upon to deal with, while any new governance model put forward will draw heavily on civil society and voluntary action.

National governments however, seem to live in a different age. They still see themselves in the driver's seat and believe they are able to suppress what they don't approve of and act as they see fit, more often than not to preserve their own power structure rather than pursue the happiness of the people. They have not realized their life-span is approaching its end and they continue to harass the citizens with a plethora of petty

regulations and obstacles. Even within the European Union whose members for better or worse agreed many years ago to encourage a free flow of capital as much as of goods and services, there are in fact only few countries that grant philanthropists full 'philanthropic freedom'. Affirmative European court rulings have had virtually no effect, as national revenue services have always managed to invent some new administrative hurdle to circumvent them. Based on the dated notion that charitable giving which carries a tax benefit to the donor and a loss of tax income to the state should benefit his or her national compatriots exclusively, they look askance at any donation to a charity abroad.

.....
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In recent years it has evolved that some of these hurdles may have to do with an obscure supranational body called FATF, short for Financial Action Task Force, set up to fight money laundering and terrorism, that has been busy making recommendations to the effect that non-governmental organisations are prime suspects on both counts and needed to be closely watched. As a result, reporting requirements have been stepped up. To give one example, German law requires any donation or grant to a beneficiary abroad that exceeds 10,000 Euro to be reported to the Central Bank (*Bundesbank*). Also, for any out-of-country activity of a charity to be approved, it should concur with the interests of the Federal Republic. What these interests are, is left to the local tax authority to decide. Whether, for example, they might not like a charity advocating the cause of Tibet for fear of harming the government's good relations with China, remains an open question and will only come up for scrutiny when the charity files its tri-annual report.

28 comprehensive country profiles, commissioned by the *Transnational Giving Europe* network (TGE)³, give a vivid impression of the differences between individual national rules while showing universal suspicion of non-governmental organisations in general and foreign ones in particular. They provide an update on the legal and fiscal developments and deal with the legal and fiscal aspects involved in each transaction (gift or inheritance taxes to be paid, possible relief or exemptions, bilateral tax treaties, alternative solutions, etc.). They also help one understand the complexity of the issue. Realized in partnership with the European Foundation Centre, the profiles provide input to the advocacy initiatives supporting a more favourable environment.



Overcoming the Impasse

Quite clearly, and as usual, even against this backdrop, civil society remains ahead of the curve. Since the 1950s, when donating money to charities abroad first became popular, some large organisations that wished to fundraise abroad, have set up subsidiaries in each country they considered worth while. More often than not they prove to be a mixed blessing to the original charity. Cumbersome legal procedures, battling administrative regulations in different legal environments – and indeed different languages, looking after members and attracting new ones, safeguarding the endowment and streamlining governance and administrative expenses to make the whole effort worth while, has in many cases been a considerable burden. Others, Church affiliated charities in particular, have made use of existing partners to channel funds from one country to the next. But with reporting standards rising at least as quickly as the level of donations, these partners have begun to shy away from accepting an intermediary role. Some charities, when fundraising abroad, simply tell donors they would not be able to deduct their donation and get away with it. Others have simply subjected their donors to a trial and error process; occasionally, this has actually

worked in their favour. In a very few countries, notably The Netherlands, foreign receipts from EU member countries are universally accepted as deductible; and in a few others, Finland for one, donations are never tax deductible anyway so it does not matter whether the beneficiary is domestic or foreign.

.....

For years to come, European citizens will have to live with the fact that direct giving to charities outside their home country is difficult, and with few exceptions, cannot be handled in a direct way.

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Obviously, none of this is very satisfactory. Civil society has lobbied for a pan-European regulation, but to no avail. Even the minimal remainder of the proposed European Foundation Statute was turned down by the European Council in November of 2014. For years to come, European citizens will have to live with the fact that direct giving to charities outside their home country is difficult, and with few exceptions, cannot be handled in a direct way.

When four major European foundations set up the TGE network⁴ in 1999, they hoped this would

only have to last for a period of transition. But to date, the number of members has grown to 18, with one exception one per country, and several more are waiting to be admitted. The Brussels based and very well connected King Baudouin Foundation continues to act as permanent coordinator. The network's prime aim is service provision. Donors may make an ear-marked donation to the partner at home who will furnish them with all that is necessary to ensure tax deductibility. Before this happens, however, the ultimate beneficiary undergoes a due diligence process to make sure it complies with international standards of a charity. These will include a formal deed or statute, non-distribution requirements, a track record of compliance, transparency in regard to major stakeholders and a finality clause. The partners' services thus far exceed the actual transaction. Following the transmittal of the donation, the TGE member in the beneficiary's country will also need to help procure the necessary reporting documents.

While at the beginning, many donors, corporate donors in particular, remained (unnecessarily) sceptical as to the legality of this mechanism, a sharp rise in total transactions in recent years clearly shows that confidence has grown. Besides, the individual partners have been checked out by their respective tax authorities and given the green light to carry on. What in fact they technically do is to receive a donation, and support a charity abroad by way of a grant, thus making use of the fact that – somewhat strangely – making transnational grants is not looked at with so much suspicion as are transnational philanthropic gifts. All of them being established and trustworthy foundations at home (like the Charities Aid Foundation in the UK, the Fondation de France, the Oranje Fonds in the Netherlands, and even the considerably smaller Maecenata Foundation in Germany) makes it easier for the partners to persuade their governments that they may well be uncomfortable advocates of causes in society, but neither money launderers nor terrorists.

While the network was originally set up to help within the European Union, it now has members in other countries, notably Switzerland, which accounted for the largest share in sending funds out of the country in 2014. Furthermore, donations to countries with no network partner are becoming increasingly important. This means that not only will the period originally envisaged for the network to perform be much longer than anticipated; the know-how and experience accumulated over 15 years now serves a world-wide community of donors and beneficiaries, notwithstanding the fact that donations outside the network are still more cumbersome to handle. To obtain adequate reporting that will satisfy the local tax

official, in a language he can understand, without the help of a partner on the spot, can be quite a task. But with very few exceptions, this has never deterred either the donors or the intermediaries from doing what they feel is their contribution towards changing society.

Interestingly, the United Kingdom is particularly strong in receiving philanthropic gifts from abroad. The reason for this is the large number of foreigners attending UK schools and universities and the very advanced methods of fundraising used on them once they have become alumni. Besides, many US universities have registered subsidiaries in the UK through which they channel all their donations from Europe. On the other hand, both the UK and the Belgian TGE partners have subsidiaries in the US, registered as tax-exempt (501 (c) (3)) organisations, and may transfer US donations to all the network partners and ultimately their beneficiaries. Important beneficiaries include various UN organisations, notably the World Food Programme, to which even quite small donations may be channelled through TGE. Major corporate donors use the network for their international giving programmes, while wealthy individuals may support a very particular cause in a country they have spent time in or have other ties to. The largest ever single donation from an individual made with the help of two network partners amounted to over 8.4 million Euro. Strangely, governments are taking an interest in the network as potential beneficiaries, too. And recently, even foundations not affected by the tax issue at all have sought assistance from TGE partners to help them with their international grants. Since the 28 profiles and an overview of transnational giving in Europe



were published in 2014⁵, the network partners are increasingly in demand for sharing their know-how with philanthropists, consultants, philanthropic intermediaries, and potential beneficiaries, as well as EU and national government agencies, corporations and members of the press.

The Way Ahead

Together with others, the foundations involved in TGE have been actively advocating improvements for many years. Today, they not only provide a service tailor-made for philanthropists to overcome the many restrictions and doubts that arise when wishing to act globally in their philanthropy as they are accustomed to do in their private and business lives. With the European Foundation Centre they will continue lobbying for the broader view they feel law makers and public administrators should take. As before, they will argue that philanthropy is a major asset for development, social change, improving people's lives, and good governance, and not a liability to be fought under pretences of money-laundering or suspected terrorism. In the meantime, donors should make use of all legal ways to extend their philanthropy to causes outside their immediate neighbourhood. Yes, we all know that charity begins at home. But what is home in the age of web 4.0?

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¹ <https://s3.amazonaws.com/media.hudson.org/files/publications/2015.06.15IndexofPhilanthropicFreedom2015.pdf>

² <http://www.hudson.org/research/11368-hudson-institute-releases-index-of-philanthropic-freedom>

³ <http://www.transnationalgiving.eu/tge/details.aspx?id=219942&LangType=1033>

⁴ see <http://www.transnationalgiving.eu> for details

⁵ For the profiles: see above; for the overview (published in print and electronically), see: http://efc.issuelab.org/resource/taxation_of_cross_border_philanthropy

Taxation of cross-border philanthropy in Europe – A Taxing Issue!

Hanna Surmatz (www.efc.be/)

1. What's the issue?

European citizens and foundations are more and more mobile, give in various ways, fund activities in multiple locations and geographies and have international assets and interests. Philanthropy is increasingly without borders. Whether undertaking joint initiatives, implementing multi-country projects, pooling resources, seeking to reach more beneficiaries, or raising funds from a wider group of donors, large numbers of foundations and other public-benefit organisations (PBOs) want and need to be active cross-border to effectively pursue their mission.



Hanna Surmatz

The fiscal environment within the EU, however, is still far from satisfactory and hasn't moved at the same pace as philanthropy in terms of supporting its dynamism and cross-border activity. A study released in 2014 by the European Foundation Centre (EFC) and the Transnational Giving Europe network (TGE), *'Taxation of cross-border philanthropy in Europe after Persche and Stauffer - From landlock to free movement?'* highlighted the discrepancies in the implementation by Member States of the non-discrimination principle on the tax treatment of philanthropy, as set out in a series of rulings by the European Court of Justice (*Persche, Stauffer, Missionswerk*). According to this principle, Member States must award equal tax concessions to charities based in other Member States where the foreign charities can be shown to be comparable to domestic organisations holding charitable tax status. In practice however, a number of countries have been slow in adapting national regulations and even where laws have been changed, practical barriers can remain. *Demonstrating comparability can be so complex that it hinders or even deters cross border-philanthropy.*

As a result public-benefit organisations and their donors encounter both a serious lack of legal clarity

and significant additional translation and advisory costs to show their comparability status, whether they are giving, fundraising, investing or being otherwise active across borders. At the heart of the problem is that across the EU, no formal or uniform approach to the comparability test exists. Also, there is no EU body to regulate the matter. Instead it is within the competence of the Member States to define when a foreign EU-based PBO is comparable and, to add to the confusion, Member States have developed different approaches to address the question of the comparability test.

In only around ten countries formal procedures are in place, while in the majority of countries no such rules, or even procedural guidelines for the tax authorities appear to exist. The burden of proof within the comparability test generally lies with the donor or entity seeking the tax incentive. Usually it is the tax authority of the one seeking the tax incentive which decides on a case by case basis whether a foreign PBO is comparable to a domestic one. Likewise the benchmark for the comparability test is generally the national tax law of the Member State from which

the tax incentives are sought and the crucial question is always in what level of detail this benchmark has to be fulfilled.

To sum up, even when non-discrimination is removed, tax effective cross-border philanthropy is often complex due to the various different, administrative and costly approaches for the comparability test. In addition to this, lengthy waiting periods for reactions from the authority side or indeed no response at all are not uncommon.

2. Way forward – agreeing to a common core comparability test within the EU?

Theoretically, a streamlined approach for the ‘comparability test’ could be reached. This could be through either binding legal avenues, for example multilateral or bilateral treaties which would enable a foreign-based PBO’s tax-privileged status to be either automatically recognised or according to legally defined requirements; or through model statutes/bylaws. However, these approaches are either not politically feasible, or would, in the case of the drafting of model statutes/bylaws, be very complex.



The EFC and TGE are currently exploring potential ways to tackle existing barriers in law and in administrative practice and have presented initial ideas on the way forward at the European Research Network On Philanthropy (ERNOP) 7th International Conference in July in Paris at the ESSEC Business School in Paris.

The ideas proposed would appear extremely feasible as an initial comparative analysis of data provided by national experts from across the EU suggests that the requirements for tax exemption have more in common than expected.

3. It's a matter of trust

A practical and potentially realistic approach could be to seek to convince national decision makers *to limit the checks carried out for the comparability test to some core elements with the aim to simplify the process for authorities, as well as users (rather than insisting that all detailed national rules must also be fulfilled by the foreign based PBO). Ultimately, the key issue is to ensure more trust in each other's systems of checks and balances and a belief in a common understanding of public benefit that could be accepted across the EU.* One important step forward in this regard is to demonstrate that the tax law requirements that lead to a tax exempt status do not differ significantly but actually follow some core elements or fundamental principles. During the past two years the EFC's network of national foundation law and tax law experts have provided detailed information on the tax law requirements that lead to tax exemption of a PBO and tax incentives for donors respectively. The comparative analysis identified much more common ground than expected:

- in almost all countries surveyed a public-benefit foundation must pursue its public-benefit purpose (some 12 purposes appear to be acceptable in most Member States) exclusively,
- in cases where a public-benefit foundation dissolves, remaining assets must continue to be used for the public benefit,
- greater variation exists on the questions of board remuneration and the requirement that a public-benefit foundation supports the 'public at large'. But even there a certain trend can be identified.

A 'common core' approach does not have to result in the application of a 'strict common denominator'. 'Comparable' in the context of cross-border philanthropy taxation need not mean 'identical' and fulfilment of all accurate details of respective national tax laws. Instead there should be scope for

organisations to be identified as being, in essence, comparable on the basis of commonly accepted fundamental principles. What we need in order to make progress in this field is a broader concept and definition of comparability and hence more trust in each other's systems – otherwise any attempt to simplify the comparability test will not work.

A potential solution could, for example, use as the first indicator for the 'comparability test' the fact that the foreign PBO in question is already recognised as eligible for and holds public-benefit status for tax purposes in its home country. This already provides some reassurance of the public-benefit character of the PBO – even though defined and checked according to the foreign (home of the PBO) jurisdiction. Additional 'common' indicators could be added based on the above mentioned comparative review of existing tax laws.

EFC and TGE will continue to further develop this concept to facilitate tax effective cross-border philanthropy within the EU. If you have experienced difficulties as a funder please get in touch as this provides good case study material and evidence to make progress.

Hanna Surmatz has been the Legal Counsel for foundation law at the European Foundation Centre AISBL (EFC) in Brussels since May 2004. Her main responsibilities include monitoring and mapping/analysis of relevant national and European developments that affect foundations' operating environment; co-ordination of benchmarking exercises; and facilitating information exchange on foundation law matters through publications and events.

¹ *EFC Comparative Highlights of Foundation Laws (EFC Comparative Highlights of Foundation Laws: http://efc.issuelab.org/resource/comparative_highlights_of_foundation_laws_the_operating_environment_for_foundations_in_europe*

Lessons From Daniel

Michael Diedring (www.ecre.org)

There are different ways to tell a refugee story. Daniel E., is a young Eritrean who was trafficked to the Sinai whilst attempting to flee his country. After three months in which he underwent an unimaginable ordeal, including torture, he was finally released after ransom was paid by the Eritrean diaspora. He was then detained, once again, in Israel as soon as he entered the country, released thanks to the legal representation of a human rights lawyer, and was granted the chance to testify in Brussels where he was finally able to apply for and receive refugee status.

Luckily, Daniel is now in the EU, a region with high standards of protection. While a human rights success, is it the end of Daniel's story? Hardly.

Daniel is also a young educated man, friendly and curious about the world. Fluent in Tigrigna and English, he also speaks Arabic and learned a bit of Hebrew while in Tel Aviv. He had previously worked as an auditor in his home country, and intended to use his skills in a new country. Daniel was well informed of the dangers of reaching Europe, and, therefore, had no intention to come, but his story unfolded in a different manner (as is often the case when refugees are in flight). Daniel was very pragmatic and did not want to waste time looking for 'the best place' to settle. Rather, like most refugees, once he found safety his main concern was to find work.

Now, as the months pass, Daniel's enthusiasm is slowly waning given the numerous obstacles he encounters. His English skills are not relevant in Belgium. His driving license is not recognized, but he cannot afford to apply for an international version; his lack of proficiency in Dutch or French represents a considerable hurdle to re-training whilst the recognition of his previous educational and professional experience is a lengthy process. He is told that all of these processes could take up to 5 years to be finally resolved. As Daniel has good social skills, he quickly found an opportunity to work as an interpreter. Here again, he was stopped in his tracks and had to refuse an offer of employment simply because he could not afford freelance status in Belgium, which requires being employed full-time in order to pay relevant taxes. As the months pass, a question starts to formulate in his mind: Why would a country offer protection to people without enabling them to flourish as a self-sufficient human being? As his odyssey in Belgium continues, Daniel believes his only option may be to go to the U.S. where he has relatives!

Daniel is obviously an easy case to advocate for: a young resilient man, well-educated and fluent in



Michael Diedring



English. In that sense, he is not representative of the complexities related to forced migration. However, the mere fact that labour inclusion is difficult even for someone like him shows how the situation for forced migrants is particularly dire. Daniel's situation illustrates one of the paradoxes of the protection regime in the EU. Although all national legislation complies with refugees' work rights as enshrined in international and EU law, the great majority of individuals remain excluded from labour participation. Equally paradoxical, given that refugees are granted a 'protection status,' existing evidence shows that refugees fare worse than the other legally residing migrants, and therefore face higher risks of destitution, labour exploitation or illegal working. If the stagnant labour market situation in Europe is obviously a key factor, the economic crisis has only increased an already existing gap.

Whilst the number of asylum seekers compared to labour migrants increases in Europe, this issue deserves serious attention. The provision of humanitarian aid is essential to protect the physical security of refugees, but it alone is not enough. Beyond short term needs, a comprehensive response must enable refugees to rebuild their lives and achieve self-sufficiency. Facilitating labour participation and mobility for refugees, a key indicator of social inclusion, is not only relevant from a protection point of view, but is also important for reducing inequalities,

and therefore sustaining democratic societies. From an economic point of view, denying access to formal labour markets pushes refugees either into the informal market, eroding wages for both refugees and nationals, or forces them to resort to negative economic coping strategies (e.g., prostitution, crime, begging, child labour, and dangerous exploitative work). In Member States with higher protection standards and a better economic situation, the paradox shows another face as the lack of access to labour participation means people like Daniel may remain for a long time in a situation of forced welfare dependency.

In contrast, studies show that when refugees access the formal economy, they become self-sufficient taxpayers who bring new skills and demand for goods and services to host countries, stimulating economic growth. Finally, refugees can play a role with regard to potential labour shortages within the skilled labour sector. For example, last June, German business leaders called on German authorities to significantly improve labour access for refugees and asylum seekers in order to reduce existing shortage of vocational trainees.

The common reasons that explain such a gap lie both in the specific difficulties linked to forced migration and in the various obstacles to access the labour market in host societies. For refugees, the most reported obstacles are: anxiety over family

separation; poor health; the long period of inactivity; the lack of language skills; difficulty in recognition of existing professional skills; lack of a social network; and unfamiliarity with the local employment market. These specific difficulties are worsened by poor conditions in host countries, and more particularly: lengthy asylum procedures; high discrimination and xenophobia; bureaucratic barriers (exorbitant fees, complex paperwork/permitting, delay in employment); and inadequate access to vocational training, education and language training.

Facilitating labour participation and mobility for refugees, a key indicator of social inclusion, is not only relevant from a protection point of view, but is also important for reducing inequalities, and therefore sustaining democratic societies

The only way to tackle this issue is to address these specific barriers through targeted policies and tailored programs. This is where philanthropy can play a critical role in supporting efforts to get people into work and successfully through the integration process.

Sustain social initiatives

Labour inclusion of vulnerable groups like refugees cannot be considered a 'project'. It requires clear strategies based on a sound knowledge of the target group, adequate resources, and a multi-year sustained effort. Practitioners know that efficient labour inclusion requires that a range of other key issues be addressed at the same time, such as housing, health or family separation. All existing practices showing an impact on labour participation (yes, there are a few) share this holistic approach, and have taken place over a number of years. However, current policies and available funding have put a strain on civil society initiatives that support refugees and asylum seekers because short term 'innovative' projects tend increasingly to replace long-term programs. There is an opportunity for philanthropy to support in a sustainable manner the work local actors have and will need to undertake for years to come.

Refugee empowerment

Like Daniel, most asylum seekers and refugees do not want to be treated as passive recipients of aid. Through



their difficult migratory path, they have developed strong coping and adaptation skills. They are in a way ‘necessity entrepreneurs,’ and many try to engage in self-employment as an alternative to unemployment. While authorities rarely consider them as economic actors, philanthropy can play a role in empowering refugee entrepreneurship, taking full advantage of the resilience, resourcefulness and resolute nature of these individuals.

Advocacy

As an alliance of 87 refugee-assisting NGOs across 38 European countries, the European Council on Refugees and Exiles (ECRE) advocates with its members at EU and national level to protect and advance the rights of refugees, asylum seekers and displaced persons. Monitoring EU legislation and practices, and collecting first-hand information constitutes ECRE’s core work for evidence-based advocacy and communication. With effective advocacy, the voices of refugees and civil society organisations that support them can directly influence and support the policymaking process. Such advocacy is critical to achieve the changes necessary at the governmental level.

Bridging

The private sector, however, remains THE key actor to engage with in order to increase refugee labour participation. Practitioners know that rapid integration is an asset for future labour participation, and therefore targeted integration measures should already begin during the asylum procedure. However, very few refugee assisting organisations and NGOs have the expertise in engaging with employers and companies. One notable exception is the Bridges Programmes, a Scottish charity that supports the social, educational and economic integration of refugees and asylum seekers living in Glasgow through ground-breaking work with employers and partners to ensure that their clients have the possible support to help them into work (if eligible), education or further training. Despite an increased interest, many actors from the private sector are unaware of who refugees and asylum seekers are, and remain therefore suspicious of a topic they primarily view as a sensitive political one. The opportunity gap for philanthropy efforts lies in the facilitation and construction of ‘public/private’ partnerships and networks to get refugees into work.

We, and our members, proudly employ refugees throughout Europe. Join us to help provide the opportunity for people like Daniel to live in dignity, and to fully contribute to our European societies.

Michael Diedring is a lawyer and accomplished rule of law / international development professional whose life was transformed by a ‘short sabbatical’ from law firm practice in the early 1990s to assist in legal reform in Central and Eastern Europe. A dual German and American citizen, Michael relocated to Europe in 1995 and over his career has worked in more than 60 countries. Michael was Executive Director of the CEELI Institute (Prague) and Director General of the Baltic Management Institute (Vilnius), Country Representative for the Baltic-American Enterprise Fund (Vilnius), and Deputy Director of the International Bar Association (London) and ABA Central and East European Law Initiative (Washington, DC). Michael earned his Juris Doctor from Syracuse University College of Law and a Bachelors Degree in rhetorical speech from Drake University.

Michael Diedring is the ECRE Secretary General; Anne Bathily is ECRE Senior Policy Officer.

The Phenomenon Of The Closing Space For Civil Society

Poonam Joshi and David B. Mattingly (www.globalhumanrights.org)

How many of the following stories do you think make international headlines? In 2012 the Canadian government asked the *Canada Revenue Agency* to undertake extensive audits of seven prominent environmental rights groups for an alleged breach of caps on how much non-governmental organisations (NGOs) can spend on advocacy activities. In September 2014 Hungarian police raided the offices of the *Okatars Foundation* claiming that it was channeling funds from Norwegian EEA grants to support Hungarian opposition parties instead of civil society groups.

Last month, an independent panel on the voluntary sector found that independence of British civil society is under attack, with the 2014 Lobbying Act having had a chilling impact on campaigning, and an increasing number of ‘gagging clauses’ in public service contracts preventing charities from criticizing local and central government policies.

Stories of charity audits, funding caps, gagging clauses and legal restrictions on cross border philanthropy rarely trouble the media or elicit public interest, but they should. Why? Because these are not disconnected stories, but part of a global trend where governments are using administrative laws to tighten their control over NGOs, particularly those that challenge political authority and seek change. The scale of the restrictive measures being introduced and the motivation behind them raise serious questions about the future of human rights and dissent not just in autocracies like Russia and Egypt, but also in democracies, including the UK.

According to the *International Centre for Not for Profit Law*, since January 2012, more than 100 laws have been proposed or enacted by governments aimed at restricting the registration, operation, and cross border funding of NGOs. These laws are framed as efforts by governments to encourage transparency and accountability within civil society, to limit tax breaks to organizations that are genuinely ‘charitable’ as opposed to political, or as critical measures part of a wider strategy to counter terrorist financing or organized crime. As such they sound perfectly legitimate and even laudable given taxpayers concerns about misuse of funds by charities, and the fear of resources flowing to armed extremists.

However when one takes a closer look at the legislation being tabled, a gap emerges between the justification given for the measures and motivation. Article 104 of the China’s 2014 draft anti-terrorism law defines ‘terrorism’ in broad terms to include ‘thought, speech or behavior’ that is ‘subversive’ or even that



Poonam Joshi



David B. Mattingly



which seeks to ‘influence national policy making’. In the UK that would make Women’s Aid, the NSPCC and Age UK terrorist groups. Uganda’s draft 2015 Non Governmental Organisations Act aims to deny organisations that engage in activities ‘contrary to the dignity of the people of Uganda’ permission to register and operate. Human Rights Watch believes the law will be used to close down any organization that seeks to criticize the Ugandan government. The UK’s Lobbying Act was supposed to expose the £2bn commercial lobbying industry to some public scrutiny, but along the way the coalition government tacked on charities and unions to the bill. The result is while 63 percent of charities report that complying with the Act would make it harder for them to achieve their goals, only a fraction of commercial lobbyists (eleven to date) have registered their interests.

Understanding the closing space

So what explains this rash of restrictive measures, which have been likened to a contagion spreading from country to country? Experts have attributed the trend to a number of complex factors. Autocratic leaders have been unnerved by the power of popular protest in the Former Soviet Union and most recently across the Middle East and North Africa, and increasingly view civil society actors as ‘the political opposition in waiting’ rather than as independent and impartial actors. In the last three years Russia’s President Putin, Egypt’s General Sisi and Azerbaijan’s President Aliyev have all used NGO laws to criminalise and defame activists, in contexts where the political opposition is so decimated that only civil society is left to hold a mirror up to the authorities.

Democracies also have been affected by what Thomas Carothers from the Carnegie Endowment describes as a global loss of democratic momentum. Sierra Leone and India provide recent examples of governments seeking to silence anyone trying to challenge their economic or political agendas or interests. In March this year, the Sierra Leonean government proposed an NGO law to

silence NGO transparency and accountability groups that wanted to know why the government couldn’t explain what had happened to a third of the funds spent on the Ebola crisis. Three months later India, the world’s largest democracy, tightened up its rules to restrict funds to any groups that challenge the country’s ‘economic interests’. This move comes after the government engaged in thirteen months of aggressive smear attacks against environmental and human rights activists that it accuses of having reduced India’s GDP by 2 – 3 percent through their opposition to extractives, nuclear energy and GM food projects.

The heightened international focus on counterterrorism has also contributed to restrictions, with over 140 governments having been pressured by the U.S. and U.N. to pass counterterrorism legislation that targets civil society. The crackdown is being unwittingly promoted by the Financial Action Task Force (FATF), an acronym you need to know as an international funder. Established in 1989 by the G7, FATF was to set global standards to reduce money-laundering, and following the September 11, 2001, terrorist attacks, it expanded its aims to including cutting off the flow of financing for terror groups. It has carried out this mandate by requiring governments to implement legislation that tightens controls on cross border funding to civil society, despite a lack of evidence that international donor funds are being diverted to support terrorism. Countries that fail to comply risk taking a hit to their credit rating. FATF recommendations are adopted both by governments merely seeking to earn certification as well as those that find the policy prescriptions a convenient cover for

their repression of civil society. Regardless of intent, these policies represent a disproportional response to a perceived threat and disrupt funding for the very NGO and community groups that are well placed to counter extremism in many countries.

The implications of the closing space for philanthropy

As philanthropists and funders, the main resource we have to provide civil society is our funding. As such the attacks on civil society, and in particular on cross border philanthropy fundamentally disrupt our business model. On a day to day basis funders are struggling with how to comply with and adapt to rapidly changing and tightening legal environments in countries where they are awarding grants.

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Funders within country offices are having to weigh risks to staff and reputations against their desire to continue funding and act in solidarity with long standing partners. And while the environment in the UK is a far cry from that of Russia or Egypt, funders are increasingly concerned about anti-human rights rhetoric of the current government and their continued ability to support advocacy and campaigning on contentious issues.

What can you do?

Educate yourself about the trend

While the factors contributing to a global crackdown on cross border philanthropy are complex and interrelated, international donors are coming together to create accessible resources on the threat and the most promising ways funders can counter it. The Donor Working Group on Cross-Border Philanthropy was established in March 2014 to enable human rights donors to develop a strategic response to threats to the legally enabling environment for civil society. The working group is co-hosted by the Ariadne European Funders for Social Change and Human Rights network, the International Human Rights Funders Group based in the US, and the European Foundation Centre. The group has commissioned research, organised briefings and engaged in one-to-one conversations with peers aimed at mobilising a growing pool of donors to harness their grant-making, expertise and voice to push back against the closing space.

Adapt to new regulatory environments

NGOs can be unaware of changes in policy until it is too late. As funders we are often in a position to have the information and resources to alert grantees and help them comply with new regulations. Even before restrictions are put in place, it is a wise investment for funders to help organizations strengthen their financial and governance systems to limit their exposure to legal harassment by governments or other entrenched interests with incentive to disrupt their work. Failing to do so could make their task easier by leaving our sector vulnerable to accusations of mismanagement of funds.

For example, in July 2013 Mexico introduced new anti-money laundering legislation in order to comply with FATF recommendations. While the policy wasn't designed with the intention of targeting civil society, both funders and grantees are anxious that the law could be misused by the Mexican government, at a time when relationship between the government and civil society are tense. Therefore a group of donors has come together to educate grantees and funders alike about the new regulations and to provide guidance and technical assistance to NGOs to promote compliance as a preventive measure.

Engage in targeted advocacy

Donor efforts often stop at adaptation, but there are additional steps we can take that go beyond supporting grantees to adapt to new regulations and to find ways to circumvent restrictions that get in their way in delivering resources across borders. International funders also are starting to come together to push back against these restrictions and the underlying interests and factors that drive them. The coalition in Mexico, for example, has plans to move beyond compliance by using the country's 2017 FATF review as an opportunity to challenge the most onerous requirements of the anti-money laundering law.

Donors also have the credibility and responsibility to speak out against the prescriptions of FATF and others that restrict civil society space. Over the last several years a small group of counter terrorism and human rights groups in the U.S. and Europe initiated a dialogue with FATF on the negative impact of counter terrorist financing measures on civil society. The group has been successful in influencing FATF to rethink its guidance to governments, demonstrating that it is possible to influence the body. Funders based in the UK will have an opportunity to weigh in when the country next comes up for FATF review.

Leverage support from the business sector

While the free movement of capital internationally faces far fewer obstacles than the flow of charitable

giving across borders, the global business sector has a major interest in the outcome of debates around civil society restrictions. Investors depend on the rule of law to conduct operations abroad, and businesses with reputational considerations are taking a major risk by working in countries with infamously repressive regimes. Where donors have strong ties with the private sector, such as through corporate giving, those relationships could be leveraged to mobilise businesses to challenge restrictions that ultimately could impact their bottom line. Governments have proven to be much more open to economic arguments, and more receptive to messengers from the business sector, which often has the ear of finance ministries.

Fund local campaigns to challenge restrictions

Finally, donors can use the primary tool of funding to defend our continued ability to support work abroad. Activists increasingly are challenging restrictions through campaigns, legal advocacy and public education, and they need our support. For example, in Kenya activists have been able to push back against

a new policy that would introduce a 15 percent cap on the amount of an NGO's budget that can be comprised of foreign funding. They did this by joining forces with development organisations – and in particular the movement of People Living with HIV/AIDS – and made a compelling case for civil society that can provide lessons for efforts to challenge restrictions in other countries.

Our sector is facing nothing less than an existential threat, with complex drivers and causes. It can be overwhelming to keep up with this rapidly unfolding trend of increased restrictions on civil society activity and foreign funding, but information is available to help funders decide how to adapt and respond to new legal environments. Moreover, donors have powerful tools at our disposal – our funds, alliances and advocacy – to defend our work and continue to sustain the organizations that rely on cross border philanthropy to hold governments accountable and meet the needs of their communities.

Poonam Joshi joined the Fund for Global Human Rights as the Director of London Office in December 2012. Prior to joining the Fund, Poonam worked as a consultant to the Sigrid Rausing Trust, where she was Acting Director of the Women's Rights program and from March 2011 developed the Trust's new grant-making strategy for the Middle East and North Africa. She also worked for seven years with Amnesty International UK's women's rights program, where she represented AIUK as a gender expert on a range of issues including political participation in Egypt and Libya; human trafficking in the UK; religious fundamentalism and counter terrorism. Poonam has practiced family and criminal law in London. She earned a BA in English from Oxford University and a Masters in Development Studies from the School of Oriental and African Studies at the University of London.

As Vice President for Programs for the Fund for Global Human Rights, David Mattingly is responsible for oversight, coordination, and integration of human rights grant-making in six regions around the world. Since joining the Fund in 2005, David has managed grants programs for frontline groups based in Latin America, North Africa, and West Africa; coordinated an initiative to strengthen the capacity of Mexican activists to promote public policies that expand human rights protections; and developed the Fund's grant-making strategy to challenge rights abuses related to sexual orientation and gender identity. After earning a BA in International Development from American University, David monitored the human rights situation in indigenous communities in Chiapas, Mexico. Prior to joining the Fund, David worked at the Moriah Fund, where he helped manage grant-making programs promoting indigenous rights in Guatemala, environmental justice, and women's rights and reproductive health. David serves on the Board of Directors of the Center for International Environmental Law (CIEL).

Social Businesses – How They Can Expand Internationally

by **Susan Ralphs** (www.ethicalproperty.org.uk)

Social businesses are a growing sector, and the most successful of them are already embarking or considering international growth. However such growth is not easy. It's challenging enough to thrive in the UK in the current environment – yet if you can the potential is huge.

To be successful as a social business there are some key issues that need to be addressed. To thrive in another country there needs to be a common enough understanding of the meaning of a social business, this is a challenge in the UK never mind overseas. Whether an organisation is a charity, a social enterprise, a social business or even the newer B Corp needs to be understood. This is vital, not only for consumers who are buying the product or service but also for investors. Ethical Property first expanded into Belgium, where the context wasn't too far away from our own. There was a thriving civil society and a growing, if less mature impact investment sector.

As in any industry, the business itself needs to have a critical mass sufficient to support growth and to be able to give sufficient attention to international growth, without it being a dangerous distraction from the domestic core business. In social businesses there is a strong missions driven culture, which can push a business to expand too quickly. This is admirable, but needs to be kept in check. Ethical Property didn't expand outside the UK until it was almost a decade old, and it still put considerable strain on the company, and there is still a tension between the resources we put into a growing, expanding UK market and the attention we can give to international growth.

Any social business needs to be sure there is an understanding of their product or service, and sufficient demand for that product or service. Social businesses are often at the forefront of innovative ideas, and they mustn't assume that there will be parallel demand overseas as there is in the domestic economy. For Ethical Property our first international growth was driven by an approach by a group of organisations wanting to establish a shared office in Brussels. These organisations understood our model of affordable



Susan Ralphs

shared office space for social organisations, and wanted to create a similar building in Brussels. This gave us an ideal platform from which to start international growth.

Not all models will travel overseas, and this needs to be tested carefully, and incrementally. At Ethical Property we were confident that in countries where there was both a thriving civil society and a demand for affordable shared office space, we would be able to penetrate the existing markets and have sufficient demand for our product. This was backed by experience in the UK where overall we have much more demand than supply, and have anticipated that once the model is known about, this will be the same in other countries.

Any expanding business, even one with social change at its heart, needs access to capital to some degree. The UK has one of the most sophisticated and mature impact investment markets in the world, so any businesses expanding overseas may struggle to access the local capital markets. There are four key actions which I think aids capital raising overseas.

Firstly, it is critical to use networks and try to find links between funders in the UK and overseas funders. There are networks of Europeans and international funders which can help investment raising. There are also some impact investors in the UK who will invest in overseas projects – Ethical Property has some investors who have invested in multiple members of the Ethical Property family. We have also had our UK investors travel overseas to talk to prospective investors to ensure there was a really good understanding of our model from an investor perspective. Investors get great comfort knowing that an organisation, institution or individual that they respect has invested ahead of them.

It's important to note that a majority of our 1350 shareholders are individuals, private investors who apply a venture philanthropy lens to their support for our company.

Secondly, we have found that when we are starting to grow internationally, a capital commitment from the founding company has a great impact, and can leverage funds. In Brussels, Ethical Property UK invested €2 million into the local company, and that led to further successful fundraising. Interestingly, when we tried to grow in Netherlands, without the ability to invest, that entity failed, due to a lack of investment, so financial support can be critical.

Thirdly, measuring impact simply and clearly is key to an effective and growing social business. Raising money successfully in a new market requires a very clear evidence based explanation of the model and the

impact it creates. The easier that is to cross boundaries the better. Ethical Property has its social impact externally audited, which also gives comfort to those who know little of us, that the impact is genuine.

Finally, we have found that the fact that there is a strong history of a successful business model in the UK, is very influential – it proves the model works.

So international growth is possible, and vital if the social business sector is to become in any way a global player; but my advice to those wanting to follow in our footsteps is to go slowly, research very well, communicate with all stakeholders and don't take your eye off the core profitable business.

Susan Ralphs qualified as a Chartered Accountant in London. On qualifying she worked for four years with Oxfam, eventually having responsibility for the finances of the whole of the overseas programme. She oversaw improvements in the financial management capacity to enable an effective response to catastrophes, particularly the genocide in Rwanda.

In 1995 Sue became Finance Director of YWCA England & Wales. Over a 10 year period, Sue managed the finances during a period of significant change, including the development of a framework to effectively manage an investment portfolio of over £20,000,000.

In 2007, Sue joined Ethical Property as Finance Director, prior to taking over as Managing Director in 2011. Since then, she has overseen a period of sustained growth culminating in the successful opening of our largest centre to date, The Foundry.

For a number of years Sue has been involved with the Oasis School of Human Relations. With colleagues at Oasis she has co-written a book on effective collaborative leadership.

About Ethical Property

Ethical Property was founded in 1998 through the transfer of three buildings owned by social entrepreneur Jamie Hartzell and philanthropist Andy King to the Ethical Property Company. We own, develop and manage commercial property for use by charities, social enterprises, community organisations and campaign groups effecting social change. We have raised £12m in the UK and with sister companies raising another Euro 9m in France and Belgium. In the UK, Ethical Property supports some 1000 organisations through serviced office accommodation and conference facilities in 25 centres and through IT support either in our buildings or directly to larger charities in their own buildings. Susan Ralphs is the Managing Director.

Innovating Times For Asian Philanthropy¹

Dr Rob John (www.nus.edu.sg)

Wealth is being created across Asia Pacific with unprecedented speed. There are now more high net worth individuals in Asia than in either North America or Europe. Economic development is creating huge middle classes in emerging economies like India, Indonesia, and Thailand. But half of Asia's 1.63bn people live on less than US\$2 a day.

Rapid development burdens the environment and widens the gap between rich and poor. While Asia has many historical and cultural practices of giving, new, innovative expressions of philanthropy must rise to the social and environmental challenges in the region. At the Asia Centre for Social Entrepreneurship & Philanthropy, we are studying how innovative philanthropy and social entrepreneurship are supporting each other's growth in Asia. Our initial report, *Innovation in Asian Philanthropy*, profiled a number of impactful developments and highlights how the 'philanthropy ecosystem' must evolve to effectively connect capital and ideas. We followed up this report with studies detailing the innovative development of giving circles and angel investing for impact².



Dr Rob John

Entrepreneurial Philanthropy

Social entrepreneurship is today a truly global phenomenon; virtually every country in Asia has individuals and organisations addressing social problems entrepreneurially - innovators with an eye on creating impact at scale. This approach fits well with a new generation of philanthropist, often entrepreneurs, who see themselves as investors in social change rather than donors to charity. In India EdelGive Foundation is a venture philanthropy fund that uses grants to help ambitious NGOs become stronger organisations and reach more people. The Foundation was created when Edelweiss Capital, an Indian financial services company went public in 2007, by founding entrepreneurs who wanted their philanthropy to mirror the 'entrepreneurial DNA' that grew the company. Former investment banker Darius Yuen wanted to avoid traditional charitable giving and set up SOW Asia as an impact investment fund that would support Hong Kong's social enterprises with a business like discipline. The fund is now investing in a pioneering recycling enterprise on the island city. Even some corporate philanthropy in Hong Kong is being reoriented from charity donations towards innovative support for

A. Transplanted Circles (From 'Giving Circles in Asia: Newcomers to the Asian Philanthropy Landscape,' *The Foundation Review*)

NAME	AFFILIATION	COUNTRY/CITY	YEAR FORMED	NUMBER OF MEMBERS (2014)	APPROX. INDIVIDUAL ANNUAL DONATION
SVP BANGALORE	SVP Network & SVP India	India Bangalore	2013	65	US\$3,500
SVP MELBOURNE	SVP Network	Australia Melbourne	2013	50	US\$5,500
IMPACT 100 WA	Impact 100	Australia Perth	2011	106	US\$1,00
TFN AUSTRALIA	TFN (UK)	Australia Multiple	2014	Forming	Variable
AWESOME DELHI	Awesome Foundation	India Delhi	2014	12	US\$165

A. Indigenous Circles

NAME	COUNTRY/CITY	YEAR FORMED	NUMBER OF MEMBERS (2014)	APPROX. INDIVIDUAL ANNUAL DONATION
DASRA GIVING CIRCLES (MULTIPLE ISSUE BASED CIRCLES)	India Mumbai	2011 onwards	7 circles with 87 members	US\$20,000 annually for 3 years
NEW DAY ASIA	Hong Kong	2007	86	US\$800
FOCUS INDIA FORUM	Singapore	2002	250	US\$320
100 WOMEN	Australia Perth	2014	45	US\$1,100

social enterprise – *Hong Kong Broadband Network*, which runs the world's largest metro Ethernet network, outsources customer helplines and canteen services to social enterprises, and its senior staff provide business mentoring to social entrepreneurs³.

Strategic Philanthropy

Institutional grantmaking is in its infancy in Asia compared to the USA or Europe. Grantmaker networks that abound in the west have helped professionalise the sector and set benchmarks in good practice and transparency, but are virtually non-existent across Asia. The high profile of impact investing and venture philanthropy can overshadow the need for a vibrant 'traditional' grantmaking sector, playing its key part in the spectrum of financing for non-profits, social enterprises and mission-driven businesses. Our study reported several highly innovative private and family foundations that serve as good models not only for

Asia, but globally. The *Zuellig Family Foundation (ZFF)* is a story of philanthropic evolution since 1901 when Swiss émigré and entrepreneur, Fredrick Zuellig, put his roots down in the Philippines. Today the Zuellig Group is one of the largest privately owned health care businesses in Asia. The family's foundation is highly focused and results-driven, and independent of the numerous CSR initiatives of the business group. ZFF addresses maternal mortality with the goal of improving health equity for the poorest Filipinos. An innovative programme of civic leadership development in rural municipalities had led to a reduction in maternal death so striking that government now plans to roll out the programme nationally. Singapore's *Lien Foundation* was endowed with half the wealth of banking and property entrepreneur Lien Ying Chow, an orphaned Chinese migrant with a passion for education as the route out of poverty. Today the foundation is guided by a principle of 'radical philanthropy' to

address ‘the root of problems’ in Southeast Asia. Beyond operational success it values clear and transparent communication with its grantees and the wider public – its annual reports would put many an American or European foundation to shame.

Giving Circles

The pooling of donations by individuals to form a giving circle is well known in the USA, where there are thought to be over 600 today. Recent unpublished research suggests there may be up to 80 circles in UK and Ireland⁴, and in 2015 we reported our findings on giving circle activity in Asia⁵. We know from research in the USA that giving circles are important because they raise resources for non-profits, and help their members grow in terms of generosity and maturity as donors. Ancient traditions of charitable giving have existed for centuries in Asia, but the concept of organised philanthropy in order to effect specific societal benefit is relatively novel. Our study categorised Asian giving circles that were either ‘transplanted’ from existing networks in the West, or ‘indigenous’ circles that had been initiated locally. A selection of the 23 transplanted and 14 indigenous circles we reported are listed in the table.

Ancient traditions of charitable giving have existed for centuries in Asia, but the concept of organised philanthropy in order to effect specific societal benefit is relatively novel.

We found generally that transplanted circles were not operated as tight franchises but encouraged to adapt to local context and led by locally-based champions. The Asian chapters of *Social Venture Partners (SVP)*, one of North America’s largest networks of city-based circles, developed characteristics relevant for India, China, Australia and Japan. In India, the city chapters were legally registered under a the umbrella of a single non-profit entity – a neat workaround in a country where registration can be arduous – and this gave scope for the chapters to adopt a dual funding strategy: a nationwide focus on supporting economic livelihood coupled to city-based priorities relevant for each locality. Impact 100 chapters in the USA are almost entirely women-only groups, whereas in Australia they encourage mixed gender membership.

We identified a small number of giving circles in India, Singapore, Hong Kong, and Australia apparently unconnected to any model outside of the region. These included a circle for women only, one working among a diaspora community, a group for next-generation philanthropists, and a cluster of circles hosted within a venture philanthropy fund. Indigenous giving circles

have no direct link to groups outside Asia and appear to have developed their own models without explicit reference to existing ones. In the globalizing field of philanthropy they are likely to be influenced, if even unconsciously, by established models in the USA and Europe where there has been an opportunity to connect with and learn from them. *Dasra* is a Mumbai-based venture philanthropy fund and social entrepreneur support organisation that initiated its own giving circles targeting high net worth individuals and grantmakers as members. A circle of ten members, focused on a particular social issue, is formed only after extensive market research and the shortlisting of ‘best in class’ non-profits. Financial commitment is high, with each member pledging US\$60,000 over the 3-year lifetime of the giving circle. By contrast, New Day Asia in Hong Kong requires its 80 or so members to give a monthly minimum of HK\$500 (US\$65) to support non-profits in Cambodia, China, Nepal and India. The low financial barrier to joining encourages young professionals to experience the collective impact of giving and volunteering their time. New Day Asia has raised US\$563,000 in donations and co-funding since 2007. Giving circles are as much about educating donors as funding non-profits, and in Asia they offer the wealthy and middle classes opportunities to grow in their own philanthropic journeys.

Giving circles are growing in number and diversity across Asia, although many more are likely to exist



than uncovered through our studies. Our new website www.givingcircles.asia will provide an information portal and help dispersed giving circles to connect with one another.

Impact Angels

During our study on giving circles we found several individuals who donated collectively through a circle and were also active as business angel investors. This prompted us to investigate further how the angel-investing model is being applied to early social enterprises. Business Angels are typically high-net-worth individuals, often entrepreneurs, who invest their money and time into the early stage businesses of others with the objective of a financial return. Some angels are also active philanthropists and can apply their angel skills to enterprises that seek to create social value through a sustainable business model. In describing a typology, we observed the *migration* by traditional business angel groups into *impact investing*; *impact angel networks* (either *independent* or *embedded* within other organisations) and *individual* angels investing alone or in *ad hoc* association with others.

The Delhi-based Indian Angel Network has over 300 angels investing in early stage businesses and since 2013 its IAN Impact fund attracts 40 angels looking to blend social and financial impact. Angel networks in Pakistan, Taiwan and Hong Kong are also bringing investable social businesses to their members. Such enterprises often get off the ground with finance from 'friends, family and philanthropy', but as their business develops angels can bring a mix of equity investment and commercial advice to help them move to the next stage of maturity

An Ecosystem for Philanthropy

Philanthropy should not operate in isolation but more effectively in an ecosystem where research, information and brokerage connect capital to ideas with maximum efficiency. The dearth of grantmaking support networks mentioned above is just one example of gaps in the Asian philanthropy ecosystem. There are signs that the ecology is evolving – particularly with the arrival of venture philanthropy and impact investing networks in the region. One innovation that is bringing transparency to grantmaking is, perhaps counter intuitively, to be found in China. The Beijing-based China Foundation Center (CFC) has tracked the rapidly growing Chinese foundation sector since 2010, publishing a level of detail online that would be hard to find outside of the high-disclosure jurisdictions of the USA or UK. CFC's Transparency Index is an innovation that could well be replicated throughout Asia.

.....
Giving circles are as much about educating donors as funding non-profits, and in Asia they offer the wealthy and middle classes opportunities to grow in their own philanthropic journeys.
.....

Philanthropy in Asia is a melting pot of traditional, cultural giving and western models imported by a highly mobile and educated class of new philanthropists. It took 100 years to shape American philanthropy and Asians are doing what they do best – taking what works and adapting to meet their own needs. This is an exciting time for philanthropy in Asia.

¹ This article is an updated and expanded version of that published in *Philanthropy Impact Magazine* in the Spring 2014 Edition

² *Virtuous Circles: New Expressions of Collective Philanthropy in Asia and Asia's Impact Angels: How Business Angel Investing can Support Social Enterprise in Asia* are available at: <http://bschool.nus.edu/ResearchPublications/ResearchCentres/ACSEPHome/Research/WorkingPapersApplied.aspx>

³ Rob John, unpublished research

⁴ Angela Eikenberry (University of Nebraska, Omaha) and Beth Breeze (University of Kent), unpublished research 2014. Personal communication with the author.

⁵ John, Rob. (2014) 'Giving Circles in Asia: Newcomers to the Asian Philanthropy Landscape,' *The Foundation Review*: Vol. 6: Iss. 4, Article 9. Available at: <http://scholarworks.gvsu.edu/tfir/vol6/iss4/9>

Dr Rob John has been researching philanthropy at the Asia Centre for Social Entrepreneurship & Philanthropy at NUS Business School, Singapore since 2011. Previously he was co-founder of the Asian Venture Philanthropy Network, executive director of the European Venture Philanthropy Association and the first visiting fellow at the Skoll Centre for Social Entrepreneurship at Said Business School, Oxford. Rob divides his time between Cambridge and Singapore.

Giving Can't Save the World

by Paul Polak and Mal Warwick (<http://www.businesssolutiontopoverty.com> and www.paulpolak.com)



Since the global fight against poverty began gathering steam in the years following the Second World War, the rich nations of the world have invested two-and-a-half trillion dollars in ‘development’ in the form of philanthropy or overseas development assistance. Yet there are still 2.7 billion people in the world who live on two dollars a day or less—more than the total population on earth when the global fight against poverty began.

Undoubtedly there have been massive advances in health and life expectancy and impressive gains in literacy. However, despite ongoing efforts to persuade the public that poverty is disappearing, it’s patently obvious that it’s not. Why? The answer, in part, lies in the magnitude of the effort. That \$2.5 trillion averages out to less than \$40 billion a year over the approximately 65-year duration of what is sometimes called the ‘war on poverty.’

We assert that the major players in combatting poverty—the UN, the World Bank, nonprofits, faith-based organizations—have largely failed for six principal reasons:

- (1) nearly all anti-poverty programs have been planned from the top down by people wearing suits in air-conditioned offices, an approach long well known to be both inefficient and ineffective;
- (2) poor people themselves have only rarely had the opportunity to speak for themselves about their needs and aspirations;
- (3) a huge proportion of the money invested has in reality been directed to economic development programs designed to grow developing nation economies and not into grassroots-level projects involving poor people themselves;



Mal Warwick
Photo credit: Nancy Jo



Paul Polak

- (4) much of the funding pays for giveaway programs and equipment left untended, failing to recognize that poor people must invest their own time and money to lift themselves out of poverty;
- (5) a huge share of so-called 'foreign aid' has been directed toward the purchase of goods and services from donor countries; and
- (6) corruption and military-related 'development' expenditures have drained away a staggering proportion of the available funds.

We believe that the failure of traditional efforts to end poverty represents an *opportunity* for entrepreneurs, investors, and existing businesses to open new markets, gain new customers, and make big profits—while simultaneously transforming the lives of those 2.7 billion people and bringing them fully into the 21st-Century market economy by creating jobs and putting more money into their pockets.

Our conclusions are grounded in Paul Polak's more than three decades of experience working directly with farmers living on \$2 a day or less in places like Bangladesh, Zimbabwe, and Nepal. He and his colleagues in the organization he founded in 1981, International Development Enterprises (IDE), have helped 20 million people lift themselves out of poverty using a pioneering market-based approach—selling them products and services at affordable prices that enable them to multiply their income from the land while supporting local manufacturers, sales, and distribution networks. It was Polak and his colleagues in IDE who commercialized the foot-operated treadle pump for irrigation, now at work on more than three million small farms around the world, as well as drip irrigation systems for farms with one acre or less and other now widely adopted technologies.

We're convinced that entrepreneurs and existing businesses can themselves successfully enter the \$2-a-day market through an approach we term zero-based design, a practical, step-by-step method for designing, marketing, and delivering new products and services for the bottom billions *on a global scale*. Analogous to zero-based budgeting in which the process starts from scratch without preconceptions or assumptions, zero-based design encompasses eight key concepts:

Listening. Don't look at poor people as alms-seekers or bystanders to their own lives. They are rational customers who make purposeful choices in how to support their families. Always set out by listening to understand thoroughly the specific context

of their lives—their needs, their wants, their fears, their aspirations.

Transforming the market. Think like Steve Jobs or Akio Morita ("I don't serve markets. I create them!"). Your goal is to put a dent in the universe. A transformative new market will mimic the chain reaction in an atomic explosion, releasing energy to create yet bigger explosions. With success, your business will change economic behavior, create huge numbers of new jobs, and transform the character of villages around the globe.

Scale. Design for scale from the very beginning as a central focus of the enterprise, with a view toward reaching not just thousands or even millions of poor people but hundreds of millions. Scale isn't mysterious; it's fundamentally a mechanical process. You begin with a pilot project in, say, 50 villages. With success, you roll out to 50 villages per month, then to 250 per



month, and later to 500 or 1,000, building on what you learn as you go. You always keep in mind that you've set out to design a global enterprise—a profitable and sustainable working system, not simply a product or service.

Ruthless affordability. Design and implement ruthlessly affordable technologies and supremely efficient business processes, offering prices not just 30 to 50 percent less than First World prices but often an order of magnitude less, or 90 percent.

Private capital. Design for a generous profit margin so that you can energize private-sector market forces, which will play a central role in expanding any venture—drawing from a pool of trillions of dollars in private capital rather than the millions typically available for philanthropic or government-sponsored programs.

Last-mile distribution. Design for radical decentralization that incorporates last-mile (even 'last 500 feet') distribution, employing local people at local wages in a marketing, sales, and distribution network that can reach even the most isolated rural people.

Aspirational branding. This is even more critical for \$2-a-day markets than for those serving the top 10 percent. Without aspirational branding that generates in buyers' minds an appreciation for its most widely appreciated benefits and attributes, Coca-Cola is just flavored, fizzy sugar water, and a Mercedes is only a high-priced car. Branding convinces us that paying a premium for these products will make our lives more rewarding.

Jugaad innovation. The Hindi term jugaad connotes improvisation, working with what you have, and paying unflinching attention to continuous testing and development. A cynic might call it simply ingenuity.

By employing zero-based design, entrepreneurs or existing businesses can build huge new enterprises that span borders throughout the Global South by taking advantage of any one or several of the numerous large-scale opportunities that characterize the \$2-a-day market:

- More than one billion rural people who make their living from agriculture are potential customers for income-generating tools and strategies.
- At least a billion poor farmers around the world lack access to affordable income-generating tools such as small-plot irrigation,

information on how to farm better, and access to markets for the crops they grow.

- At least a billion poor farmers lack access to crop insurance, and even greater numbers have no access to health and accident insurance that could lessen their financial challenges.
- As many as 950 million people in the world go hungry, and an equal number lack access to affordable nutritious foods.
- More than a billion people live in rudimentary shelters, constituting a ready market for \$100 to \$300 houses with market and collateral value that could start them on the road to the middle class.
- At least one billion people have neither toilets nor latrines.
- More than one billion people have no access to electricity.
- One billion or more don't have access to decent, affordable schools.
- A minimum of one billion people lack affordable and professional health services.
- At least one billion use cooking and heating methods that make them sick and pollute the air.

Huge opportunities exist for innovative, affordable products and services in each of these areas—and many more. By gaining just a ten percent market share, a business that enters one of these billion-plus markets can attract at least 100 million customers, generate \$10 billion in annual revenue, and realize handsome profits—within ten years of starting out.

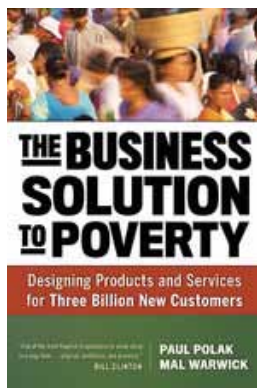
To demonstrate the feasibility of this approach and jump-start this revolution in business, Paul Polak is setting up four new companies:

Spring Health: Safe drinking water for the rural poor

Already in commercial rollout in eastern India with an all-Indian staff of 110, Spring Health purifies polluted water through electro-chlorination in 3,000-liter tanks erected at tiny village shops and sells it at a comfortable profit for the company, shop owners, and delivery staff. Eighty percent of customers opt to have this affordable clean water delivered directly to their homes in 10-liter jerrycans on rickshaws or motorized rickshaws staffed by drivers hired by the shopkeepers.

Sun Water: Affordable solar electricity for irrigation, lighting, and small electrical tools

Sun Water is working with volunteer scientists and engineers from Ball Aerospace to design a proof-of-concept prototype of a 2,000-watt solar PV pumping system that can be sold at \$1,500, less than a third of the retail cost of a similar conventional PV system available in India today.



Biocoal from the Village: Transforming agricultural waste into marketable biofuels

This company will pay farmers to collect and deliver biomass from their fields to a nearby village, where local entrepreneurs will operate furnaces of a revolutionary new low-cost design to produce high-value, low-carbon-emission fuel that can be shipped to coal-fired electricity generating plants in China or Europe to reduce their carbon footprint and gain them carbon credits.

Success International: Offering an alternative in rural education

What passes for primary education in much of the Global South is sadly inadequate, especially in rural areas. Absenteeism among teachers is widespread, and grossly under-qualified teachers sometimes teach nothing at all. Private school systems are starting to flourish, mostly in urban areas; Success International will work in the countryside, delivering effective primary education for six or seven dollars a month per pupil.

We envision a time when hundreds of innovative multinational companies will thrive in the \$2-a-day market, extending the benefits of the market to the whole human race—and ending the scourge of poverty forever.

Mal Warwick, is a social entrepreneur, impact investor, philanthropist, and author who lives in California.

Paul Polak, widely regarded as the father of market-centered approaches to development, is the founder and chairman of Windhorse International.

More information is available at www.businesssolutiontopoverty.com and www.paulpolak.com.

Harnessing Sage's Goodwill And Care For The Community In An Innovative Philanthropic Programme

Ivan Epstein (www.sagesouthafrica.co.za/OurBusiness/We-Give-Back.asp)

Corporate philanthropy is nothing new. For decades, big businesses like Microsoft and Ford have contributed money, employee time, and expertise to causes and projects they deemed worthwhile.

Philanthropic values and attitudes have been embedded within both these companies from an early stage, shaped by the visions of their founders and leaders.

This is crucial for any company with designs on creating its own framework for giving – you can't fake compassion. It is especially true if you are retrofitting your framework to an existing business. It's with this in mind that Sage in June launched the Sage Foundation, a global initiative that will provide a concrete framework for our philanthropic efforts.

The Foundation will roll out globally from October. It will follow a 2+2+2 model of committing 2% of employee time, 2% of free cash flow, and 2 donated user licenses for our technology to any eligible registered charity, social enterprise or non-profit organisation. We will focus on creating social and economic opportunity in the communities we operate within around the world.

For us, formalising our philanthropic programme was a logical and necessary step to take. It was the result of many months of hard work, and the vision of our board and people. Without the commitment and passion of our leadership and employees, creating something like the Foundation in a global company like Sage would be impossible.

Cultivating a culture of philanthropy

Further developing the culture of caring that already exists in the organisation is one of the prerequisites for enabling philanthropy within our business. Sage is a big family of 14 000 entrepreneurial people. We are a large business that has the heart of a small business. We have always been committed to making a difference, bound together by our mission of supporting 'the little guys' in the form of Small and Medium Businesses (SMBs), so it is a natural step for us to start supporting the world's social change organisations, too.

For many years, our colleagues around the world have supported their communities in their own ways. Sage operates in many different countries, with each



Ivan Epstein

region possessing its unique take on the 'Sage culture'. Our philanthropic efforts reflect that heritage. In my home country of South Africa, for example, we have supported a wide range of initiatives for a number of years. The *Afrika Tikkun/Mandela Day initiative* supports children and youths in accessing quality social, educational, health and nutritional support on their journey from 'Cradle to Career'.

Sixty-five Sage South Africa employees each volunteered four hours of their time and we donated Sage software to the organisation to help them run more efficiently. There are similar examples like this elsewhere throughout Sage – driven by colleagues who want to make a difference to their communities.

I was fortunate enough to spend time working with Nelson Mandela on social projects. I saw how he approached his own philanthropic goals after his presidency, collaborating with businesses to make them a reality, and that inspired my own passion for replicating his ethos at Sage. It is the same drive and desire that binds all of our people together and defines our culture.

We also see in the Foundation a reflection of a cultural shift with the emerging Millennial Generation. This is a not generation that is content to show up and

collect a cheque. They want to be part of something meaningful. With the Foundation, we are providing them with the platform to do that.

Buy-in from the top

Securing buy-in to this culture and vision from the very top was another prerequisite for getting the Foundation off the ground. Stephen Kelly, the Sage Group CEO, was committed to the project from the outset and made his desire clear to launch a philanthropic framework. That gave everyone in the company a goal to rally around, and the ambition to make it a reality was evident across the board.

Without having the right people in place, you won't be able to turn the vision into a reality. You need people that embody compassion, but there are other equally important qualities that define what a Sage Foundation employee should be.

They need a strong understanding of the world we operate in, the social change organisations we will partner with, and of the challenges they face. They must also be commercially-minded, and must be able to see clearly where our support could have the most impact for the people and organisations we are trying to help.



Experienced leadership

Experience is an incredibly important factor too, which is why we brought in Isabel Kelly to head the Foundation. Her experience of developing and growing the Salesforce Foundation internationally means we have someone who knows what structure we needed to drive things forward.

We are fortunate to have many people within the organisation with many of the attributes I've just outlined. This enabled us to create a team of familiar, dedicated faces with an unparalleled knowledge of how our communities work.

We already have non-profit customers globally, and we want to partner with them; giving our resources and in return, benefiting from the positive social change they bring to the world. Governments and communities in many of the countries we operate in also expect us to use our position of privilege to reinvest in the future.

The only way something like this can work on an international scale is by having people in each region that understand what will work in their markets. We are empowering them, through the framework of the Foundation, to make the decisions they feel will have the most impact locally.

The Sage Foundation will build on the best of what we are already doing all over the world, giving it the commitment and support it deserves.

Ivan Epstein, Chief Executive Officer, Sage AAMEA (Africa, Australia, Middle East and Asia), Chairman Sage Foundation.

He leads Sage's businesses across Africa, Australia, the Middle East and Asia, a territory which includes some of the fastest-growing markets for business solutions in the world.

He is one of three operational CEOs in the Sage Group and serves on the Sage Executive Committee which is responsible for the strategic direction and continued growth of the Sage Group internationally.

In addition, Ivan serves as the Chairman of the Sage Foundation, which provides support to non-profit organisations and communities around the world by sharing Sage resources with them. The Foundation's 2+2+2 community model involves donating 2% of employee time each year, 2% of free cash flow and 2 of Sage's smart technology products for any charity, social enterprise or non-profit organisation.

Ivan began his career at Price Waterhouse Coopers before co-founding Sofline in 1988. He led the company's growth from a start-up to a listing on the Johannesburg Stock Exchange in 1997.

Sage acquired Sofline in 2003 and appointed Ivan to its executive committee as CEO for Southern Hemisphere countries. Sage appointed Ivan to his current position in 2010.

Ivan was awarded the Ernst and Young 'South Africa's Best Entrepreneur' in 1999/2000, and appointed to the panel of judges where he has served for an extended period in selecting many of SA's entrepreneurs. In addition he was awarded SA's 'IT Personality of the Year' in 2009.

Giving and Gaining

Rupert Phelps (www.savills.com)

Whether or not a family has significant liquid wealth, they are still in a position to consider the role of philanthropy in their family governance (FG). Philanthropy may range from charitable giving to impact first investing, be large or small, or only relate to financial capital. It may also offer the families' other assets of: human, intellectual social and sometimes spiritual capital. Solely focussing on the financial capital is to ignore many of the most important contributions that family members bring to the fold. You cannot begin to know how to make the financial decisions until you consider the other types of capital.

Families may wish to retain, consume or disburse their assets, but usually want their decisions in this regard to be theirs, rather than that of a government. Success can be defined as families who retain the control of their own ability to make such decisions through generational change and succession. The striking theme such families have in common is being well advised from the bedrock of an agreed purpose. The fundamental ingredient to this is examining, understanding and aligning family values and seeking effective family governance. Unsuccessful families invariably lose their financial capital by failing to address their other forms of capital. Families that neglect governance issues typically fall into disharmony and infighting resulting from a lack of preparedness and education of heirs, and poor or non-existent succession planning. It is the failure of FG, rather than inefficient tax planning or bad investment performance, which invariably dissipates family wealth.

Cornelius Vanderbilt's estate was worth about \$100m at his death in 1877. At the first Vanderbilt family meeting in 1973, 120 family members gathered. Not a single one was a millionaire. Such stories of extreme erosion of family wealth are widespread, and often in the relatively short time period of two or three generations (numerous studies concur that about 70% of families have lost the majority of their wealth by the end of the second generation and 90% by the end of the third). They illuminate the potent threats that families must address.

Aligned beliefs and effective FG are the best mitigators to these dramatic and dangerous impulses, and philanthropy has a significant role to play. The following five steps may be used as a summary: values, education, communication, philanthropy and putting healthy FG into action. Philanthropy is therefore a core part of governance for families and its positive influence can be transformational. The act of striving for effective FG is in itself a highly beneficial process,



Rupert Phelps

quite apart from any end result, and so it is with philanthropy. Both should be a continual, living and evolutionary process and the educational and learning benefits imparted will be varied and cumulative.

The most successful multi-generational families routinely employ many of these best practices. A family needs a shared narrative, functioning communication processes, and a desire to continue its legacy, in order to ensure it can manage situations of transition and crisis. The fundamental cornerstone of enduring familial and philanthropic life is seeking family governance from a foundation of aligned family values. Such activity enhances these heirs' various forms of capital, which ultimately are the root to enduring family identity and the long-term protection of family assets.

The concept of philanthropic governance is a subject closely related to family dynamics. It is a bond that reveals the relational benefits of philanthropy to a family that strives to enhance all its capital and create horizontal relationships to enhance decision-making. The principle is interdependence rather than more rigid and hierarchical vertical systems.

Encouraging interdependence is a crucial concept since this can imbue individuals with the family culture in a manner that is true to their character and enhances dialogue and learning between them. Without this approach, too many heirs may germinate the traits of loners, tyrants or weaklings.

The principles that a family holds dear, its views, beliefs and opinions, are invariably challenging to express and articulate. It is usually slightly less difficult to do this for each individual family member, as opposed to trying to generalise and summarise some key consensus threads for a group of people, but even then, being able to describe or even codify such concepts is always testing. Most will agree that ethics and convictions are a foundation of their nature, their outlook and 'emotional investment'. They may term such a worldview in spiritual terms as a creed or faith, others may prefer more humanistic language, such as philosophy, theories, doctrines or ideals, but surely in all cases the values a person holds affects how they treat financial capital. That in turn colours how they treat all forms of capital, especially the human and social capital of their interaction with family, friends, colleagues and society. So, if one is to ask, "What are this family's core tenets", a partial source from which to formulate an answer, will be deliberating on philanthropic priorities, both individual and collective. This represents one of the most significant 'donor-benefits' that a family can gain.

Philanthropy is a compelling vehicle with which to express and reinforce the convictions and identity of a family and then create impact and change. If this world view cannot be established, then it is often difficult to

see what the family stands for and holds as important. This is where conflict can often arise: from lack of defined values, as well as opaque decision-making and unstructured giving. The strongest tool for lessening conflict is the preparation of forward planning and clear communication. From this may flow the 'glue' that binds, challenges and transmits what the family holds to be precious, potentially nothing less than its morals and culture, nothing less than its very identity. Such a legacy is forged from an evolving blend of continuity and flexibility.

A family needs a shared narrative, functioning communication processes, and a desire to continue its legacy, in order to ensure it can manage situations of transition and crisis.

One of the defining characteristics of philanthropy is its ability to transcend borders and cultures. Indeed, in many instances, if it is to be effective, this is a necessary characteristic. Substantial investing families are increasingly 'global multi-jurisdictional families' (GMJF), and so the international nature of their existence informs the character of their likely giving. When a goal of giving is for inheritors to learn about other cultures, as well as other elements in society, there is a necessity for transnational action. This is absolutely what is observable in the patterns of many GMJFs now, and it is a major theme with considerable influence. When there is a desire for an open and flexible mind, this acts as an added spur for the learning gleaned from travelling. This can be combined with philanthropic initiatives and so the educational benefits of the one are combined with those of the other in a truly augmenting way. One first generation Midwestern American family have done exactly this with substantial support of a project in Namibia, providing clean water for drinking, domestic use and irrigation. All their children, aged between 15 and 27 are involved and as their father observed: "Impact on the community, yes, that's crucial, but also impact on our children. The extent of that has been profoundly beneficial. This simply wouldn't have been the same in our own country."

One wonderful characteristic of family philanthropy is that small ideas can seed larger ones and establish the pattern for a lifetime of dedication and collaboration. In addition to promoting family unity, collaboration on philanthropy reinforces the transmission of ideals and culture. Each next generation family member needs to feel confident that he or she can contribute to the family's philanthropy in a way that is both meaningful to them as an individual as well as to the family as a whole. Thus, philanthropy helps enhance the human and individual elements of

family members, while increasing interdependence and learning.

No one can create a utopian environment where all participate equally and are happy with every decision, but good governance is the first step towards reducing conflict in families generally and also in their philanthropy. Notably, in times of rising inequality, philanthropy is doubly important, not only by supporting those in need, but also in creating awareness of such issues in the minds of successors to the rich by “setting a good example”. This concerns more than just charity, it relates to social responsibility, impact (beneficial results) and ultimately a family’s identity. Sir Ronald Cohen sees philanthropy as an antidote to rising social tension from increasing inequality and this mollifying function should not be underestimated.

Philanthropy can provide a double platform to define culture and values and learn about the workings of finance whilst targeting a child’s own interest, rather than that of their parents or the wealth creators. All the while it can be enhancing their other forms of capital. This may be an educational way of learning about asset classes and other commercial matters since the organisation and operation of a philanthropic entity, however modest, will mirror many of the issues present in the running of family operating businesses, even if in microcosm.

Such activity can teach the donor about money and asset classes, especially where allocations of ‘philanthropic capital’ are made as though in the for-profit market: with rigour and discipline. In essence,

philanthropic governance is the approach of a family deliberating on impact first activity within a decision-making framework that is rooted in shared and complementary values.

Perhaps ironically, many families who successfully retain financial capital do so by the learning process of giving some of it away. Philanthropy can offer a unifying context for decisions as to how to give away, and a powerful method of engaging younger members and communicating and clarifying roles to them. Asking them to draft a personal statement of principles can be a sensible starting point. So, when philanthropy is integrated into the broad wealth planning of large families, they can learn more about long-term financial capital retention by employing philanthropic capital; learning to contribute and not just bald accumulation. This process effects change and expresses beliefs whilst offering a family a method to measure its impact in regard to financial, social and legacy outcomes.

Thus it may be summarised that three key ‘secrets’ to successful philanthropy emerge: interest, focus and perseverance. By interest is meant an enduring alignment with values; focus entails the discipline of ongoing application of philanthropic governance and perseverance indicates the application of sheer hard work. The growth in philanthropy is evidence of people searching for meaning, to establish and root their moral standards, determine a purpose for their endeavours and those of their children and explore other forms of capital. Philanthropy helps explain why, to preserve financial capital through successional change, a family should prioritise those assets last.

Rupert Phelps is the Director of Savills Family Office Services. Its professional services offer consulting on family governance, family dynamics, succession planning and mediation, whilst Savills plc provides specialist expertise to investing families on all aspects of real estate investment: from commercial, infrastructure and residential to rural land.

Join us in our vision to increase philanthropy and social investment across borders, sectors and causes

Why join us

'I believe Philanthropy Impact has a key contribution to make as a forum to encourage more – and more effective – philanthropy and social investment through the exchange of ideas, spreading knowledge and improving the professional advice available. This is more important than ever.'

LORD JANVRIN Deputy Chairman
HSBC Private Bank (UK) Ltd

Participants find events 'essential', 'highly educational' and 'inspiring'

Philanthropy Impact exists for the benefit of its members. We welcome any suggestions or contributions at editor@philanthropy-impact.org

To find out more about member benefits including free event registration, partnership opportunities and free resources please visit our website

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Since 1998 Philanthropy Impact has been delivering services to professional advisers and other key stakeholders including philanthropists, trusts, foundations, and charities. Our vision, as a charity, is to increase philanthropy and social investment across borders, sectors and causes.

We provide resources and learning opportunities to professional advisers and other sector stakeholders in order to enhance their expertise, awareness and influence in increasing the level of philanthropy and social investment. Philanthropy Impact's 2014 – 2017 strategy as a centre of competence and impact encompasses growth by:

- Supporting advisers, ensuring they are equipped with best-practice philanthropic and social investment knowledge for discussion with their clients
- Organising learning events seminars for members and interested parties
- Creating networking opportunities to enhance understanding amongst advisors, philanthropists, social investors, trusts, foundations and charities
- Providing know-how, reports and analysis on philanthropy and social investment
- Disseminating information that raises awareness about best-practice amongst advisors
- Collaborating with third parties to support the development of philanthropic and social investment practices relevant to advisors and their clients
- Advocating for philanthropy and social investment internationally

FOR PROFESSIONAL ADVISERS

We produce a range of resources to support advisers, donors and their families:

- Opportunities to meet and network with professional advisers, philanthropists, trusts, foundations and charities
- News and updates on philanthropy, social investment and corporate giving
- Support to help fulfil CSR mandates and improve employee engagement in philanthropy
- Bespoke initiatives and advocacy activities to promote philanthropy and social investment
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- News and resources on charity governance, giving trends and social investment.



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