

PHILANDERING PHILANTHROPICALLY

In the second and final installment, the focus is on globalization and politicization while flirting with dream scenarios of how things could work out.

BY LEE POH WAH



Modern-day philanthropy, as pioneered by Andrew Carnegie and John D Rockefeller at the turn of the 20th century, is thriving not only in the US but all over the world. A philanthropist today could as easily be Latin American, Indian or Chinese as the stereotyped Anglo-Saxon, due to globalization.

Meanwhile, donors in the West, which is still the heart of the sector, is innovating with radical new ways of giving. One of these is increasing collaboration with the public sector through politicization.

GLOBALIZATION

SCENARIO: ALIBABA SAYS 'OPEN SESAME' IN AMERICAN DESERT

Jack Ma, founder and CEO of Alibaba Group, the largest e-commerce company in China, is also a global board member of The Nature Conservancy (TNC), a US conservation organization working around the world to protect ecologically important lands and waters for nature and people.

Imagine, him taking a fancy to one of TNC's US projects and donating US\$100 million to it. One possibility is desertification, the process by which land in arid and semi-arid areas degrade into desert. About 40 percent of the continental US is considered vulnerable to desertification by the US Bureau of Land Management.

Ma may find it natural to back TNC's efforts to curb the scourge in the US as he is a regular visitor. Besides,

what is learnt in the US can later be applied to combat desertification in China later.

Globalization is an all encompassing trend that has impacted everything from Government and economics to lifestyle. Philanthropy is not spared. Increasing transnational aid from the West to where it is needed most is the most outstanding result.

Another is the new wave of philanthropists from emerging economies. Like Ma in the make-believe scenario above, they may also 'reverse' philanthropy – stereotyped as white Anglo-Saxons helping their backward, colored brethren – by sending help to the developed countries from the vibrant East and South.

Globalization means millionaires are being minted more quickly outside than within the US. A 2009 Capgemini and Merrill Lynch World Wealth Report estimated Asia-Pacific had 2.4 million millionaires, fast catching up on North America's 2.7 million. It predicts that high-net-worth individuals' wealth in Asia-Pacific will actually surpass North America by 2013.

Many among them have hit the headlines for their generous giving. A sampling from around the world includes:

- In Mexico, Carlos Slim, who made his fortune in telecommunications, has pledged US\$6 billion for his three charitable foundations.
- In Hong Kong, tycoon Li Ka Shing has also pledged one-third of his wealth (estimated at US\$18.8

billion) to his foundation.

- In India, software czar Azim Premji gave US\$101 million to start a foundation that is now planning a university to train teachers.
- In the Middle East, Saudi billionaire Prince Alwaleed bin Talal, who has donated more than US\$2.4 billion over the last 30 years, has started a foundation to consolidate his efforts.
- In China, property tycoon Yu Pengnian, 88, has donated all his fortune to his foundation, bringing the total he has given to US\$1.2 billion.

This empirical evidence suggests that philanthropy outside the US is catching on. But at the macro level, there seems to be a long way to go. In a study by management consultancy Bain & Co, charitable giving in India, Brazil and China is equivalent to about 0.6 percent, 0.3 percent and 0.1 percent respectively of the country's GDP in 2009. This compares with 2.2 percent in the US.

However, at least for China, an analysis of its top philanthropists shows that they are catching up fast. In 2009, the top 50 US philanthropists gave US\$4.1 billion, while the same sample of Chinese philanthropists donated US\$572 million. In absolute dollar terms, this represents a mere 14 percent of American generosity. But it should be noted that not only did the US\$572 million represent a fourfold increase from six years ago, but the ratio also rises to 63 percent when measured in purchasing power parity terms.

NEXT GREAT LEAP FORWARD

In China, the feel on the ground is one of vibrancy and excitement. Charitable giving has become a trend, to the extent that the Hurun Report, which tracks China's richest, started a Forbes-like listing of the country's top 100 philanthropists seven years ago. Total giving soared dramatically in 2008 after the Sichuan earthquake: Donations reached US\$15.7 billion, three times the previous year. Although that level of giving has not been maintained, the way it energized philanthropy marks an inflection point.

The earthquake also marks the growing sophistication of the Chinese donor. Donating through text messaging raised nearly US\$14 million in 10 days. Donations pledged by the corporate sector and high-profile individuals were tracked and they were publicly shamed when the donations did not materialize.

Before 2004, China's only philanthropic institutions were Government-affiliated organizations. But on realizing philanthropy can help address the many social problems the country faces, the political leadership allowed the establishment of private, grantmaking foundations for the first time since 1949 when the Communists took over.

By one count, there were already 650 private foundations by the end of 2008. They face many challenges from a tortuous path to get recognition and restrictive regulations to a lack of transparency and professionalism but they have a relatively free hand in their charitable endeavors. They are able to supplement Government efforts through innovative projects such as film star Jet Li's One Foundation project to rebuild a village leveled in the Sichuan earthquake in 2008 along green principles. Today, they are a new, albeit fledgling, force in China's civil society.

REVERSE PHILANTHROPY

And in the best traditions of philanthropy, they are reaching out to the needy across borders. One Foundation, for example, has channeled a donation from Jack Ma's Alibaba Group together with other high-and low-profile donations to Haiti after its earthquake.

In this case, the Chinese donations are going to a country in even greater need but it will be only a question of time before reverse transnational giving – donations from philanthropists in emerging economies to the developed West – takes place.

No doubt, the East and South still have critical social needs that their homegrown philanthropists could attend to and their not doing so will attract criticism. But philanthropy is a personal choice, often based on personal experiences and relationships. So, it is not surprising that in the global village, philanthropy should show no respect for national interests.

Already, some Asian millionaires have felt greater affinity to their alma mater in the US than social needs at home. Hong Kong tycoon Gordon Wu has given a total of US\$118 million to Princeton University and in early 2010, Zhang Lei, the founder of Hillhouse Capital Management, a New York-registered, Beijing-based company, donated an auspicious US\$8,888,888 to Yale. He explained to a China newspaper, "Yale has been helping China for more than 100 years. Many Chinese leaders were educated at Yale. But the relationship has been one-way for too long and I want to help change that."



CASE STUDY: CROUCHING TIGER, HIDDEN DRAGON

Together, Narada Charity Foundation and Xu Yongguang, its secretary-general since its inception in 2005, show what a well-run private Chinese foundation is capable of.

Set up by the Shanghainese Narada Group and endowed with approximately US\$44 million, Narada aims to create quality educational opportunities for the children of rural migrant workers in urban areas, who typically experience financial and social barriers to public education.

By working for a constituency that the state has neglected, due to financial constraints and the lack of a clear and concerted policy, it raised the bar from Xu's previous Project Hope initiative, which merely extended the rural reach of compulsory state education. Narada catapulted the role of philanthropy from follower to leader.

Besides funding grassroots NGOs as part of its mandate, Narada won kudos for altering their funding structure. In the aftermath of the Sichuan earthquake, Xu persuaded Government-run foundations like the China Charity Foundation and the Chinese Red Cross to divert some of their public donations to grassroots NGOs for the first time. This practice has continued.

Narada is now set on laying a strong base for private foundations. It is working with other institutions to establish a China Foundation Center which seeks to provide standards for, and information about, China's foundations, and thereby promote their growth, transparency and credibility.

Narada and Xu are important for what they do and for what they represent. Narada symbolizes a new force in China's civil society – for the first time in China's history, there are entities engaging in social and environmental issues and funding NGOs, besides the Government. Xu shows how professionals can make a vital difference.

it is neither right nor rational to flood his children with money, he must be looking around for another good vehicle to give to. What other mega institution is there that can handle a bequest of this size?

In the fantasy world, he could, in another masterstroke, give his remaining wealth to Government to strike a blow against the prevalent culture of over-leverage and over-consumption, and fix the ugly side of corporate America – unethical financial instruments, shady deals ...

His money could fund financial literacy programs by the Department of Education for the young, research to improve business ethics through legislation and other initiatives not presently being carried out by the Obama administration.

Precisely because no such Government programs exist, he can be very sure his money is being used for the purpose he intended when the initiatives sprout.

It runs smack against the instinctive liberal view that private is the way to go but Buffett giving to Government is not as bizarre as it sounds.

Today, the Government is the biggest player in the provision of social services in terms of budget and in many instances also does the best job in terms of expertise, infrastructure and extension. So, why not give all the resources to the strongest kid on the block? It would be more effective than setting up a lacklustre foundation to do the same thing.

POLITICIZATION

SCENARIO: BUFFET INVESTS IN GOVERNMENT

Warren Buffett's current ranking as the second richest American behind Bill Gates is the consequence of his being one of its shrewdest investors. When the time came to decide how to distribute

his wealth, he surprised the world not by giving it to charity but by giving the bulk of it to the Bill and Melinda Gates Foundation, to give it away.

Now, he must be thinking of how to dispose of the remaining 15 percent of his wealth (worth the princely sum of US\$7 billion). Assuming he continues to think

CASE STUDY: 'MINISTRY' OF HIGHER EDUCATION

The Sampoerna Foundation aims to make over the country's vast public school system and advocate better education policy for Indonesia.

Set up in 2001 by billionaire Putera Sampoerna, it started off by providing scholarships. So far, it has offered over 32,000 but that is a drop in the ocean, given Indonesia's 75 million school-age children.

To jumpstart educational reform, the Foundation started to work with town and district Governments to adopt under-performing high schools and turn them into model schools. This United Schools Project is still in its pilot stage, with 24 schools on the program. It has also started a teacher training project that has reached 14,000 teachers.

To improve access to higher education, the Foundation has created Indonesia's first private financing institution to lend money to university students. The goal is 15,000 students in its initial seven years. Its latest initiative is to establish a degree-granting university, for which it has already been granted a Government license.

So far, it has successfully implemented its strategy of undertaking projects that can be expanded, attract outside funding and make a measurable impact. To judge the programs, the Foundation looks beyond the number of students served to metrics such as test scores and graduation rates. The programs also have a viral element, whether it's training one teacher at a school and then asking her to train colleagues or requiring that scholarship recipients reach out to other students.

Another sign of its success is the donations pouring in from corporate sponsors such as Deutsche Bank, Credit Suisse and Siemens. ExxonMobil was so impressed with the United Schools Project that it asked Sampoerna to oversee its educational philanthropy in Indonesia. Astro, the pay-TV operator, has also entrusted the administration of its high school and middle school scholarships to the Foundation.

Sampoerna Foundation has all the potential to become a powerful force in Indonesia's public education system, as, together with Government, it uplifts education for the masses.

It is simply a case of fungibility between philanthropy and Government insofar as both are channels for the redistribution of wealth with the power to decide who gets what and why. It is politicization of philanthropy.

It already happens for reasons of necessity or practicality. In China, donations from overseas Chinese are usually delivered through Chinese Government agencies or to charitable organizations that were established by Government agencies. In the US, Rockefeller Philanthropy Advisors have highlighted how, in the face of the disruption caused by the recent economic upheaval, many donors have begun to connect their giving to Government programs combating the recession. Examples include donors providing supplementary funding to city-wide initiatives to provide non-profits with volunteers, or grants to organizations that help people get available Government benefits.

Where Government can be trusted to deliver, and the philanthropist is misanthropic or lacks the passion and bandwidth, it is an attractive option to give to Government as a form of 'voluntary' tax. To begin with, substantial administrative expenditure will be freed for philanthropic use as no additional structure is required other

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than the existing Government administration.

Funding the Government can also be used as an incentive to energize innovation in the public sector. Either the funds can be used to introduce state-of-the-art facilities and other advances or they can finance research or their availability can be tied to innovative outcomes.

Of course, precautions have to be taken to eliminate fungibility of funds. Just as Governments receiving foreign aid have been known to divert the country's funds that they would have devoted to the same purpose to something else, or worse, to their own pockets, there is the possibility the philanthropy dollar given to Government may not translate into additional benefit to the needy.

However, it is relatively simple to ensure that the philanthropic dollar is appropriately spent, e.g. by targeting a low-priority Government scheme or a new initiative and insisting on results. If Government balks at the conditions, it will simply lose a voluntary donation while the donor turns to another channel to reach his objective.

PHILANTHROPY AGAINST ATROPHY


If efficient Government that has proven it delivers results can substitute a philanthropic institution, the opposite also holds true. Where Government is inefficient, fungibility means philanthropy should be able to play such a leading role as to effectively take the place of Government.


This is in the tradition of philanthropy filling in the holes left by Government failure – except here the hole is so large as to constitute the whole. A case in point is Sampoerna Foundation which is showing the way to higher standards to Indonesia's education ministry (see case study on previous page).

Philanthropy also politicizes through advocacy. The normal process is for a foundation to pioneer an innovative model that Government later replicates on a national scale.

Lien Foundation has adopted a novel and radical approach to engage the public sector, in this case to alleviate China's water and sanitation problems. It challenges senior Chinese officials attending the 'Mayors Class', a Masters of Public Administration course at the Nanyang Technological University in Singapore, to identify and implement real-world projects in water and sanitation sustainability. The Lien Challenge competition has

created a cadre of water advocates in the public sector and resulted in some high-quality projects with public policy implications that an NGO would not be able to assemble or deliver.

Ultimately, both Government and philanthropic institutions need to recognize each other as partners. Their policies and approaches could be different but equally legitimate. Somehow, they have to communicate and work together, without worrying who controls the money or gets the credit. Fungibility means unity. 



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