

Charity no longer begins at home

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The first thing that greets visitors to the home page of kiva.org is a photograph and description of a "featured business". It could be a cobbler in Uganda, a farmer in Peru or a shop owner in Tajikistan. Through the website, users can make small loans to these entrepreneurs. During the course of the loan, lenders receive e-mail updates from their borrowers. More than \$13m has been raised in the two years since the website was launched, reaching 20,000 people in developing countries.

What is happening on kiva.org reflects three of the big trends emerging in philanthropy, a sector that is undergoing rapid and dramatic change. For a start, the activities of kiva.org users are global rather than local, with donors sending funds to far-off countries. Second, donors want to see where their money is going and get feedback on the results. And third, it is technology that is powering the transaction, facilitating not only the donation but also the spread of information on the needs and the benefits of the funding.

In a world where business and economics are becoming ever more closely connected, it is perhaps no surprise that philanthropy is undergoing a process of globalisation. While technology provides access to information about what is going on in once-remote parts of the planet, people are also travelling more frequently for both business and pleasure – and encountering some of the world's more intractable problems along the way.

"There's also the recognition that the root causes of a lot of local problems are linked to global issues," says Luc Tayart de Borms, managing director of the Brussels-based King Baudouin Foundation. "So in Belgium, if we work on, say, illegal migrants, you're linked with the problem human trafficking and then you're linked with what is happening in the Balkan region, which is a transit zone."

Some countries have always focused a portion of their giving on international projects. In the UK, about 13 per cent of charitable giving by individuals in 2005 went to overseas causes, according to the Hudson Institute, a think-tank. In the US, the percentage of overseas gifts is far smaller. However, this is changing, with American donors who once might have given to their local church or university directing more of their money to causes in developing countries.

The shift in emphasis is partly the result of the way in which today's donors made their money. "A lot of the wealth that's fuelling the new philanthropy comes out of global businesses," says Salvatore LaSpada, chief executive of the UK-based Institute for Philanthropy. "They're often relatively young people that have created significant amounts of wealth very rapidly in global companies. So, they're taking the same boundary-crossing drive into their philanthropy."

At the same time, figures such as Bill Gates and Al Gore have raised issues such as HIV/Aids and climate change to prominence, while large-scale disasters such as the Asian tsunami of 2004 and the Pakistan earthquake of 2005 renewed interest in overseas giving.

Carol Adelman, director of the Hudson Institute's Center for Global Prosperity, adds: "There's been a general dissatisfaction with government foreign aid – and that's not just in the US but also some of the European regional barometers, and opinion polls show Europeans are dissatisfied with government foreign aid programmes."

The emergence of a new generation of wealthy individuals – not only in the US and Europe but also in emerging markets such as India, China, Russia and Brazil – means that the funds available for philanthropic projects are greater than ever. Moreover, while the flow of philanthropic funds was traditionally from wealthy donors – generally European or American – to poor countries in Asia, Africa or Latin America, there is evidence that this is no longer always the case.

"The transactional model with a series of first world countries giving money to the third world was the definition of global philanthropy for a long time," says Mr LaSpada. "But now, we're

seeing a massive movement of people from poor countries into wealth centres such as the US and the UK and maintaining very strong links with their home.”

This is manifesting itself in the growth of community foundations and development projects to establish schools and hospitals in many eastern European countries. Community foundations are also expanding rapidly in Asia, Africa and Latin America, with their numbers growing 26 per cent between 2000 and 2005, according to the Hudson Institute’s annual Index of Global Philanthropy.

Jonathan Fanton, president of the MacArthur Foundation, the US grantmaking organisation, looks forward to the day when there will be more of this local philanthropy. “I’m hoping the trend will be more philanthropy in the developing world and in Europe,” he says, “and that there will be partnerships between local donors and American foundations.”

But while the charitable sector’s geographical boundaries are breaking down, the way donors give is becoming more structured. Today’s philanthropists want to do more than simply hand over their money to a charity or foundation. They often want to become involved in the creation and design of programmes, track their progress and measure the difference that their money has made.

One of the reasons that this hands-on approach is becoming more prevalent among donors is a shift in the source of wealth. “It’s especially noticeable in the UK,” says Susan Mackenzie, director of Philanthropy UK, an independent resource for donors. “Fifteen years ago, three-quarters of the Sunday Times Rich List had inherited their wealth and a quarter were self-made, and today that ratio is completely reversed.”

And, say experts, if the wealthy have made their money, rather than inheriting it, they tend to view it as their own. This changes their approach to philanthropy. While those who have inherited money tend to see it as part of the family legacy and act as stewards of that wealth, protecting it for the future, those who have generated their wealth feel a greater sense of ownership, giving them the freedom to give it away as they choose.

For the new generation of venture philanthropists and social entrepreneurs, this means monitoring and assessing the impact of philanthropic projects – something that is challenging when those projects are on the other side of the world.

But as donors expand their horizons, new support mechanisms are emerging to assist them – from intermediary organisations such as the King Baudouin Foundation, Give2Asia and the Resource Foundation to the family offices and philanthropy departments of private banks. London-based New Philanthropy Capital, which advises donors and funders on how to give more effectively, conducts rigorous, analytical research into the performance of charities to ensure that a donors money has the greatest impact.

At the same time, a greater professionalism is being brought to bear on the non-profit sector as organisations try to achieve more with their funds and infrastructure. “People want to get results because the problems are gigantic compared to the resources,” says Tom Tierney, founder of Bridgespan Group, a consultancy catering to charities and non-profits. “When you go down the track of impact philanthropy, it changes behaviour. You become much more cost efficient, more disciplined and you have to build capacity in organisations.”

In the process, the lines are blurring between the business world and the philanthropic sector. Take microfinance. Looking towards the double bottom line of social benefit and profit, mainstream banks such as Barclays and JPMorgan are entering a field that was once the preserve of non-profit organisations.

The presence of the corporate sector in such fields will challenge philanthropic organisations. For a start, it is creating greater competition for talent. People wanting to help alleviate global problems once could only do so by working for charities or non-governmental organisations. Now they can take well-paid positions in the private sector and participate in corporate social responsibility programmes or company volunteering.

Meanwhile, as companies become more strategic in their own approach to philanthropy, these opportunities are increasing, with high-performing executives able to take sabbaticals to work with non-profits in the developing world.

The entry of corporations into arenas once dominated by non-profits is also introducing market-based tools and techniques to philanthropic activities. Innovative partnerships between non-

profits and corporations are becoming more common while a number of organisations are on hand to help donors monitor and maximise the impact of their donations.

Impetus Trust, a UK venture philanthropy organisation, does this by becoming involved in the charities it funds and bringing venture capital knowhow to those organisations to improve their management and performance.

However, while business techniques can help streamline certain operations, they are not effective for every social or environmental problem. Mr Tayart de Borms stresses the need for organisations from different sectors to recognise their limitations. "Business can really bring a lot in but not everything can be applied," he says. "It's easier to sell a product than create social change and [foundations and charities] are moving in a much more complex environment than those selling products to the market."

Perhaps one of the most powerful forces shaping the new philanthropic landscape is technology. The internet and global communications tools are not only facilitating the flow of information to and from remote parts of the world but are also helping philanthropists to exchange ideas and contacts and providing a powerful tool through which to tap into new sources of donations.

"We know a lot more about remote places in the world where people are less fortunate and need help," says Mr Fanton. "So the needs are more apparent to us than ever before."

Moreover, technology is providing a quick and easy way for individuals to make donations. "Think about what happened with the tsunami and the amount of money that was raised within hours," says Mr Tierney. "Society could not have done that five years ago."

And if the internet can match potential romantic partners and sites such as eBay can bring together buyers and sellers, similar potential exists to connect donors and beneficiaries online. Through websites such as donorschoose.org and globalgiving.com, individual donors can choose recipients for their gifts.

"You can scroll through continents and find a chicken farm in Nigeria and give what you want," says Ms Adelman. "And the wonderful thing is that you can see pictures of the project and the progress being made."

The internet can also facilitate partnerships between philanthropic organisations, allowing them to exchange information. Many believe that the potential for the charitable sector lies in the establishment of this more collaborative, "open source" approach – one powered by technology – to solving the world's problems.

Moreover, there is a growing recognition by charities, companies and governments that the world's social and environmental problems are not going to be solved by any one sector or organisation.

One example of this more open, collaborative approach is a partnership between the Rockefeller Foundation and InnoCentive, a website set up by Eli Lilly, the pharmaceutical company, on which corporations post research problems and offer rewards to anyone who can solve them. The idea is to use this model as a way of finding solutions to problems such as lack of access to energy and water.

In the UK, Corporate Culture, a communications company, recently launched the Change for Good Network, a web-based forum where senior managers from companies, government bodies, charities and non-profit organisations can share insights and good practice on effecting change that improves people's lives.

John Drummond, chief executive of Corporate Culture, believes that in addition to this kind of networking and knowledge exchange, the charitable sector needs to go through a period of consolidation. "It doesn't make sense for there to be 180,000 registered charities in the UK, when the reality is there are probably only around 100 active causes," he says. "So the idea of collaboration is increasing, and my sense is that in the next decade or so we'll see an increasing number of mergers between charities."

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