



The Business Times
23 Nov 2012

The state of altruism in Asia

Much has been said about Asia's growth story and the region's rising wealth. But the development needs in Asia remain numerous - presenting huge opportunities for philanthropy to facilitate community development. Increasingly, this is being done via social impact investments. Philanthropists who spoke at the Credit Suisse Philanthropists Forum 2012 share with BT their insights on where philanthropy in Asia is headed.

Participants:

Christopher MacCormac, senior adviser (Knowledge Enterprise) office of the vice president for knowledge management and sustainable development, Asian Development Bank

Laura Lau, head of philanthropy for The Swire Group Charitable Trust, Hong Kong

Sandiaga Uno, managing director, Saratoga Capital, Indonesia

Wong Lin Hong, executive director, SE Hub Ltd, Singapore

Ken Ito, Japan adviser, Asian Venture Philanthropy Network

Moderator:

Teh Shi Ning, correspondent, The Business Times

QUESTION: What do you think is the largest philanthropic need in Asia, and specifically, in the country you work in?

Chris: Many needs come to mind but perhaps one stands out more than any other, and that is access to safe drinking water and basic sanitation. Four hundred and fifty million people in the region don't have access to safe drinking water and 1.9 billion people in Asia lack access to basic sanitation.

Deprivation of these two basic human needs pose serious health risks to all citizens through the contagion and spread of water-borne disease that often lead to acute illness and infant mortality.

Lin Hong: In Singapore, I think the largest need is healthcare for the aged with low income or no income. While there are other specific groups with special needs which may need philanthropic help, our ageing population results in probably by far the largest group, the aged poor, that requires philanthropic help for their wide spectrum of needs, from basic care-giving to intensive medical attention.

Sandiaga: I'd say education. Indonesia has major challenges in the area of education. First, disparity in quality among schools. There is no minimum service standard in place as the basis of resource allocation for district and school levels.

Indonesia also has some of the lowest student-teacher ratios in the world. Poor households are often unable to pay for education, so there is an inequality problem too - the higher the education, the larger the gap of enrolment between the poor and the rich, rural and urban districts.

Ken: Given flat economic growth, a shrinking population and an increasing income gap, the most pressing philanthropic need in Japan is support for the youth and enhancement of education to encourage aspirations of the future generation. The NEET (not in education, employment or training) population is estimated at 1 million which shows that youth in Japan are losing confidence and self-efficacy.

Another issue is the declining population which makes it difficult to maintain minimum levels of living standards (transportation or economic activities) particularly in rural areas and small cities.

Laura: The needs are great in China and it would be difficult to identify the "largest" philanthropic needs. I would say that donor giving in China can be more impactful if it's focused on: (a) software rather than hardware: supporting training, management and capacity-building, rather than capital projects; (b)

holistic approaches linking and leveraging projects so that each initiative does not work in isolation but is part of a bigger picture; (c) scalable models, which are especially important considering China's large geography and population; and (d) looking beyond problems today to support activities which prevent future problems.

QUESTION: How has philanthropic giving in Asia changed over the past five years? Has the current global downturn had any significant impact on philanthropy?

Chris: Cultures and communities across Asia have a long tradition of philanthropy. I actually think the global downturn has heightened the awareness of many wealthy citizens and private corporations of the need to provide even greater social protection to more vulnerable groups, and to address some seemingly intractable development challenges where the resources and capabilities of government may be stretched or inadequate. I have a feeling that philanthropy will continue to grow in Asia.

Lin Hong: There is a tremendous wave of growing awareness and active giving in Asia. There is also a worldwide trend among philanthropic organisations to be more concerned about the effective use of philanthropic funds, and this concern has of course been accelerated by the global downturn. Many philanthropic organisations, including those in Asia, are beginning to view their donations and grants more like investments.

They seek proof of real social returns from their funding. This has given rise to venture philanthropy, impact investing and outcome funding concepts and practices.

Sandiaga: Technology, specifically the Internet and social media have been transforming the world of philanthropy. Information flows are much faster; it is much easier to give online and through similar vehicles. Internet donations are growing substantially.

The days of simply writing a cheque and walking away are fading fast. Charity today is not defined by money alone. Many philanthropists want to contribute their time too. Some entrepreneurs conducting philanthropy in Indonesia see themselves as active partners, rather than passive benefactors, of the groups they support.

Laura: Philanthropic giving in Hong Kong is rising and donors are exploring new areas and ways of achieving impact such as venture philanthropy models and social enterprises. For Swire Trust, our philanthropic giving has been increasing steadily every year so the global downturn has not had a negative impact on our investment in the community.

Ken: In Japan, philanthropic giving is small relative to the size of its economy. It is estimated at US\$12 billion annually, which is approximately 4 per cent the size of US giving. Individual giving is an estimated US\$40 per household per year. But there was a significant change after the earthquake which hit Japan in March 2011.

More than US\$5 billion in charitable giving was gathered in a few months to support relief and reconstruction efforts in the Tohoku area. It also drew attention from outside of Japan and generous giving from both developed and developing countries, which was very unusual for Japan, a major donor country.

QUESTION: What are some challenges donors and charities face in collaborating with each other? In your experience, are there any challenges unique to Asia?

Chris: The uniqueness of the philanthropic challenge in Asia is one of 'scale': the challenges of absolute income poverty, deprivation of some basic human needs, education for all, are greater in Asia than in any other region.

However, I believe that philanthropy that is scaled up in size, sustained, better coordinated, monitored and assessed for accountability of the use of resources and achieving results, can make major contributions towards ending poverty in Asia.

Lin Hong: The growing number of charities multiplied by an increasing number of programmes has resulted in exponential increase in demand for funding. The challenge that donors face is having the capacity and capability to select the best programmes aligned with their objectives.

At the same time charities and other social service providers such as voluntary welfare organisations have to develop effective programmes, such as outcome-based programmes, so that they can better raise funds, and put whatever funds they raise to effective use.

Donors should also provide funds to service providers for management training in areas such as leadership, financial control and programme management. Service providers must recognise internal weaknesses and be open to seeking help from donors. In this way donors and service providers can forge closer and longer-term collaboration.

Laura: While some donors in Hong Kong still favour passive giving, others recognise the benefits of engaging the NGOs that they support.

Meanwhile, on the charity side, forward-looking NGOs see their role as a small part of a bigger picture. They are able to see how partnership can help them achieve greater impact or define a niche among other social service providers. Collaboration can be as simple as holding a meeting or workshop with grantees so that they get to know each other and their respective programmes.

Sandiaga: To build mutually reinforcing activities and programmes, it is necessary to maintain continuous communication and trust among non-profits, charity agencies and donors. Accountability and transparency is a challenge. Most Indonesians have serious concerns about the credibility of the charity agencies due to the lack of accountability and transparency among most agencies.

Also, there is a strong preference to give directly to individuals in immediate need rather than through an organisation, charity agencies, or foundations.

Ken: In Japan, the charity sector is underdeveloped since the government sector has been relatively efficient in social welfare. There are more than 40,000 non-profit organisations registered in Japan but most are fully voluntary and do not employ full-time staff, which means they do not have the management capabilities to meet potential donors' demands for transparency, accountability or direct social impact itself.

In addition, there has been a lack of information and market medium to connect charities and donors. Currently, several intermediary organisations are working to bridge this gap by enhancing capabilities of non-profit organisations as well as building up a network of innovative non-profit organisations to match donors to.

QUESTION: Do you think social entrepreneurship is gaining traction in Asia?

Sandiaga: Absolutely. Social entrepreneurship is one of the best solutions to eradicate major challenges in Asia, including in my country. Indonesia is the epicentre of social entrepreneurs. We have many inspiring social entrepreneurs who aren't just volunteers and donors.

They are using new tools and strategies, building communities and collaborations, and investing deeply in a cause they are passionate about whether it is health, the environment, or education. I am very optimistic about the future of the social enterprise sector.

Chris: Yes, in part this is due to more business people adapting and applying the skills, knowledge and success they achieved in the business world to address development challenges. But it is also happening because charities and NGOs realise that the people they are helping don't want to be seen as

passive dependants but instead as successful, productive citizens who, with philanthropic assistance, are turning their lives around and are able to enter and remain in the mainstream of society.

Social entrepreneurship can encompass a wide range of 'business models'. In principle, it can be applied to any development challenge where there is potential to meet real needs of public or private entities and generate some revenue. There may be greater scope for diversity in social enterprises in urban areas where the economy is more diverse and incomes are generally higher.

Lin Hong: Certainly. This trend is driven by the need for financial sustainability when doing good. Social service providers recognise the increasing difficulty in getting grants and the increasing desire of funders to have their funding derive long-term continuous benefits.

Thus, service providers must find ways to generate revenue and scale up to achieve profitability. They can then practically continue to do good forever. Social entrepreneurship is best applied where viable business models can be found. Admittedly there are many social areas where this cannot be done, such as when affordability is well below the cost of providing the product or service, in which case the service provider has to remain as a charity. But attempts must be made to think through the possibilities, and there are social enterprise investors who are willing to help work out a viable, innovative business model.

Laura: Social entrepreneurship is gaining a lot of attention in Asia. However, there's a long way to go. The biggest obstacle seems to be that many social enterprises lack a strong business model to ensure a profitable business within a reasonable period.

Moreover, a sustainable entity does not only generate income to cover project costs, but also produces additional capital to further invest in the social enterprise. Social enterprise is one solution and should not be considered the answer to all social problems. Other donors have emphasised the importance of 'social innovation' rather than social enterprise - social enterprise is one form of social innovation.

Ken: Social entrepreneurship has been a buzzword in Japan for a few years now. It is about a non-profit organisation having a revenue-earning model, but is also seen as a source of innovation to create new values, business models and social systems.

The Japanese government has allocated more than US\$100 million per year in 2010-11 to support more than 800 social entrepreneurs, and the policy continued in 2012 as a part of earthquake relief efforts. Social entrepreneurship is demonstrating its strength - it enhances the financial sustainability of social purpose organisations.

QUESTION: Is demand for ways to quantify the impact of philanthropic giving on the rise? What are some strategies donors have employed to assure accountability and results from the non-profit organisations they give to?

Lin Hong: Yes, demand for ways to quantify impact is strong. Assuring accountability and results can only come about through properly quantifying and measuring social impact. But such measurement is extremely difficult, although much work is in progress on methods such as SROI (Social Return on Investment) and IRIS (Impact Reporting and Investment Standards).

It is debatable whether one type of impact (such as on an autistic child) is comparable with another type (say on a blind person), even though both may be of equal quantified value. Comparability between one region or country and another may also be invalid, due to differing social costs and priorities. Furthermore, in addition to the direct impact on the beneficiary, the secondary effects (such as on the beneficiary's dependants or care-givers) should also be taken into account, but these are even more difficult to identify and measure.

For now, many donors settle with simpler calculations of dollar cost-benefits accruing directly to beneficiaries. This still provides some accountability and results from the service providers. Going through the cost-benefit analysis also helps both funders and service providers to properly think through what are the actual costs and benefits of a programme.

Ken: The framework of quantified impact measurement is getting the attention of donors and government agencies interested in increased productivity of fund usage.

Several organisations including Microsoft Japan and Japan's Ministry of Health have conducted a pilot project to evaluate programmes using SROI. Keio University is also funded by Ministry of Education to conduct research and development on evaluation frameworks using the SROI methodology.

Chris: Demand for accountability and results from philanthropic support is on the rise, and this parallels what is happening for official development finance. Putting in place results frameworks, using third-party professional audit services, and comparing technical performance and cost-effectiveness with comparator non-profit organisations are some of the methods philanthropists are requiring, especially when planning to scale up beyond their initial contributions.

This is a good thing in itself, but these practices also spur innovation in the methods, approaches and 'business models' used by NGOs to get better results.