

Philanthropy Letter



FONDATION
DE LUXEMBOURG

‘It takes a noble man to plant a seed for a tree that will someday give shade to people he may never meet.’ David E. Trueblood

The interest in engaging in philanthropic giving is increasing everywhere, but at the same time the variety of possible approaches in philanthropy makes it quite complex. In order to address this knowledge gap, the ESSEC chair in philanthropy was created two years ago. In this new edition of the Philanthropy Letter, we have interviewed Professor Anne-Claire Pache, who holds the chair in philanthropy at the ESSEC Business School in Paris. She talks about the background for creating the chair, her ideas of what could be done to promote philanthropic giving in Europe and about current research programs in the areas of family foundations and corporate giving.

Over the past few years venture philanthropy has been gaining momentum in Europe. But what is the definition of venture philanthropy and how can it be used to increase the efficiency in philanthropic giving? Pieter Oostlander, the newly appointed chairman of the European Venture Philanthropy Association, EVPA, explains the concept, which he defines as *the merger of the soul of philanthropy with the spirit of venture capital*.

Science and research are two areas that philanthropists are increasingly considering in their giving. Philippe Lamesch from the Luxembourg Centre for Systems Biomedicine (LCSB) of the Luxembourg University elaborates about the need for private financing of biomedical research and provides the example of the Pelican Foundation, which awards grants to doctorate students in this area.

In December 2012, the Luxembourg Parliament voted a new law concerning family offices. In this context, we have asked the Directors of four family offices how important philanthropy is in their client approach.

We hope you will enjoy your reading.

Tonika Hirdman
Director General



- 2 Raising the knowledge level about philanthropy
- 4 Merging the soul of philanthropy with the spirit of venturing
- 6 Private funding to accelerate biomedical research in Luxembourg
- 8 Family Offices' approach to philanthropy

Raising the knowledge level about philanthropy

Interview with Professor Anne-Claire Pache, holder of the ESSEC chair in philanthropy



Anne-Claire Pache

Anne-Claire Pache is chaired professor in philanthropy at ESSEC Business School (Paris, France). She holds a Master in Public Administration (2001) from Harvard University John F. Kennedy School of Government and a Ph.D. in Organizational Behaviour from INSEAD (2010). Her research focuses on social enterprises as well as on the institutionalization of philanthropy. She authored several books and academic articles. Before embarking on an academic career, Professor Pache cofounded Unis-Cité, a French non-profit organization which advocates the idea of youth service in France.

What was the reasoning behind the idea to create a chair in the area of philanthropy at the ESSEC Business School?

All across the world, philanthropy plays an increasing role in addressing social challenges, and the tools available to philanthropists have never been so diverse. Yet it remains an understudied and poorly understood phenomenon, especially in Europe, despite great progress in recent years. It is to address this “knowledge gap” that the ESSEC chair in philanthropy was created in 2011, the first research unit of the kind in France. ESSEC Business School has a long tradition rooted in values of humanism and responsibility. Eleven years ago, ESSEC was the first French business school to create a chair in Social Entrepreneurship, developing both academic and practice-oriented expertise and encouraging business students to pursue careers in this field. As a growing financier of social enterprises and civil society organizations, philanthropy of all kinds (from traditional gifts and grant-making to strategic philanthropy and social investment) deserves more attention.

What are the objectives of the chair?

Our mission is to produce and disseminate knowledge about philanthropy and its role in society, on a European and international scale. As business school scholars, we are

particularly interested in the creation, strategic development and management of philanthropic initiatives. We aim to balance, as much as possible, excellence in academic standards with accessibility and usefulness for practitioners. Hopefully, we can contribute to strengthening the competences of such philanthropic organizations and increasing their social impact.

Does the chair have any specific orientation? What are you currently working on?

Two of our main research projects focus on corporate philanthropy. The first is a systematic review and assessment of the academic literature on philanthropy in management and social sciences journals. It is currently under review and will hopefully be published soon. The second is a process analysis of the institutionalization of corporate philanthropy in large French firms over the past 30 years. So far we have received great feedback in both academic and practitioner circles, and hope to get it published in 2014. But we study individual and family philanthropy as well. For instance, we are working on a book about the specificities of family philanthropy in France, based on interviews with 30 families. We also contribute to an exciting volume on global philanthropy edited by Pamala Wiepking and Femida Handy, writing the chapter on France. Both books should be on the shelves next year.

Our two latest projects aim to provide a typology of strategies for philanthropists, and to understand the consequences – positive or negative – of receiving philanthropy for beneficiary organizations.

How would you describe the current level of academic research regarding philanthropic giving?

Though philanthropy remains a fringe topic in academia, there have been invaluable research efforts in various disciplines to understand the philanthropic phenomenon, especially since the 1980s. Not surprisingly, it is in the United States that these efforts have been the strongest, fuelled by the creation of several think tanks, research centers, and academic programs. Some dimensions are now well-known, such as motivations and determinants for giving, or the effects of government intervention on philanthropy. But we still know very little, for instance, on the outcomes and impact of philanthropy on various stakeholders, or the decision-making processes involved.

In Europe, research has gained momentum in recent years with the creation of research centers in several countries, such as the Center for Philanthropic Studies at VU University and the Erasmus Centre for Strategic Philanthropy (Netherlands), the Centre for Philanthropy Studies at Basel University (Switzerland),



Photo © Johanna Audiffred

or the Centre for Charitable Giving and Philanthropy (UK). In 2008, the European Research Network on Philanthropy (ERNOP) was founded to share scholarly knowledge and to encourage comparative studies across Europe. There is still very little reliable and comparable data available, so ERNOP has a lot of work on its hands in the years to come!

How can philanthropy be further promoted? According to you what should be the role of states in facilitating philanthropic giving?

In order to develop, philanthropy needs a higher generalized level of trust as well as stable, favorable rules and institutions. Tax exemptions and juridical statuses are one thing, and recent progress in various countries

certainly needs to be preserved, but more relevant is a peaceful and predictable environment for giving.

Welfare states in Europe are in crisis as public expenses have for a long time exceeded public revenues. In this context, philanthropy is pressured on two fronts: first, tax exemptions are under attack and fiscal environments are tightening, as states struggle to generate new revenues. Such measures could discourage or delay giving, and thus limit the amounts donated. Second, as public subsidies to nonprofit and public organizations diminish, philanthropy is mistakenly expected to compensate for this decrease, which is numerically impossible in the present context. Philanthropy can only be promoted by policies which encourage giving, instead of threatening donors or assigning them an impossible task.

Merging the soul of philanthropy with the spirit of venturing



Pieter Oostlander

Pieter Oostlander is the chairman of the European Venture Philanthropy Association (EVPA) and the founding partner of Shærpa, a non-for-profit organisation structured as a social interest organisation. His professional background is in accountancy and finance. In that field, he held various top-level finance functions.

Being EVPA, it is obviously important to define what is venture philanthropy. To us it combines the soul of philanthropy with best practice from the venture capital world. We want to bring these two together because we are convinced that the combination will help social purpose organizations to increase their impact, considerably and sustainably.

What is Venture Philanthropy?

Venture philanthropy works to build stronger social purpose organizations by providing them with both financial and non-financial support in order to increase their societal impact. We're combining the "soul" of philanthropy with best practice from venture capital.

In contrast to the American understanding of the term, in Europe the venture philanthropy approach uses the entire range of financing instruments (grant, debt, equity etc.), with grant-makers more often using the term "venture philanthropist", and equity and debt investors the term "social investor", but both groups pay particular attention to the ultimate objective of achieving societal impact.

We see venture philanthropists and social investors sharing seven characteristics:

- High engagement: hands-on relationships with social purpose organizations management
- Organisational capacity-building: building the operational capacity of portfolio organisations by funding the core operating costs rather than individual projects
- Tailored financing: using a range of financing mechanisms tailored to the needs of the supported organisation
- Non-financial support: providing value-added services to strengthen management
- Involvement of networks: enabling access to networks that provide skill-sets and resources to the investees
- Multi-year support: supporting a limited number of organisations for 3-5 years, then exiting when organisations are financially or operationally sustainable
- Performance measurement: placing emphasis on good business planning, measurable social outcomes, achievement of milestones and financial accountability and transparency

Three additional dimensions that distinguish venture philanthropy

For the past three years, we have conducted a survey of venture philanthropy practitioners based in Europe. From this data we are able to highlight additional dimensions of venture philanthropy (VP) that distinguish it from other forms of philanthropy and investment.

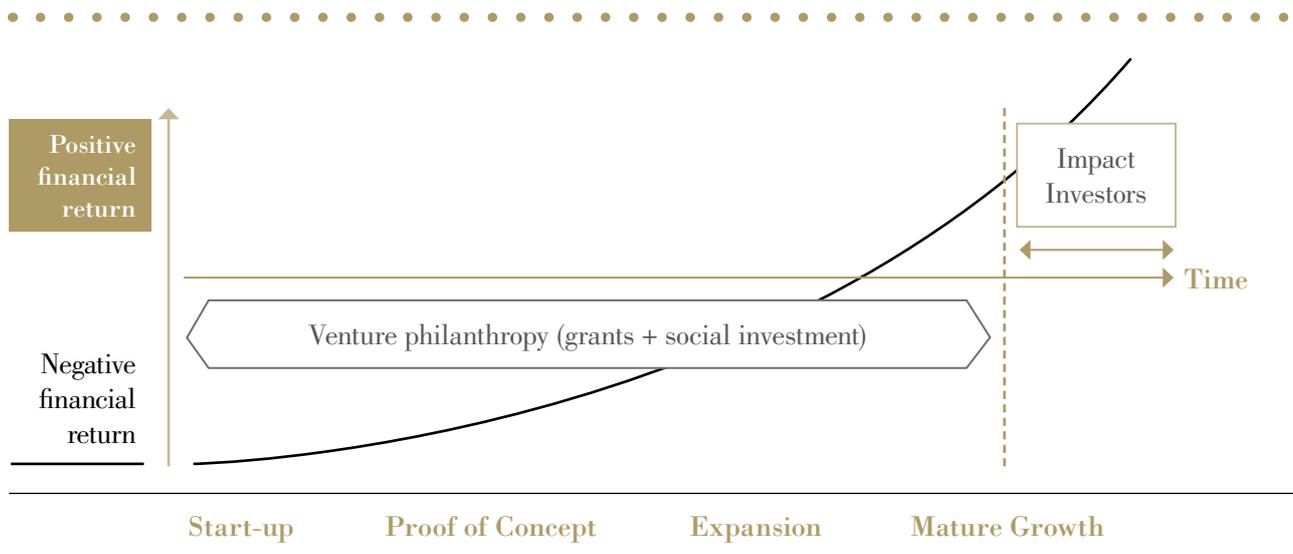
(i) Venture philanthropy practitioners take risks by supporting early stage, small organisations with little track record

87% of respondents to the EVPA survey support organisations that are less than 5 years old. As the Monitor Report¹ of 2012 highlighted, "philanthropic support can play a catalytic role in ways that investor capital cannot". This is particularly the case in the start up, proof of concept and expansion stages of a social purpose organization's development, where start-up losses are incurred and the risks are perceived too large to be acceptable for impact and traditional investors.

(ii) Venture philanthropy practitioners support a range of organisational types from non-governmental organizations (NGOs) to social enterprises

The results of the EVPA survey show 39% of venture philanthropy practitioners supporting impact first social enterprises, while 45% support non-governmental organizations either with or without revenues from some form of trading. LGT Venture Philanthropy, for example, supports via an equity investment, B2R Technologies, a business process outsourcing company based in rural North India, providing opportunities to local youth who would otherwise have to migrate to big

¹ "From Blueprint to Scale: The case for philanthropy in impact investing" Koh, H; Karamchandani, A; Katz, R; Monitor Group 2012



Social purpose organization development and venture philanthropy support

cities for employment. At the same time they also support, via a grant, Mothers2Mothers in Africa, which provides support to HIV-positive pregnant women to deliver healthy babies.

(iii) *Venture philanthropy practitioners have a wide range of return expectations*

Venture philanthropy practitioners target a wide range of financial returns, with a relatively even distribution between those expecting a positive return (60% of this category expecting 5% or less), those expecting capital to be repaid and those expecting a negative return. What unites venture philanthropy practitioners is their focus on impact and, as a natural next step, the importance assigned to impact

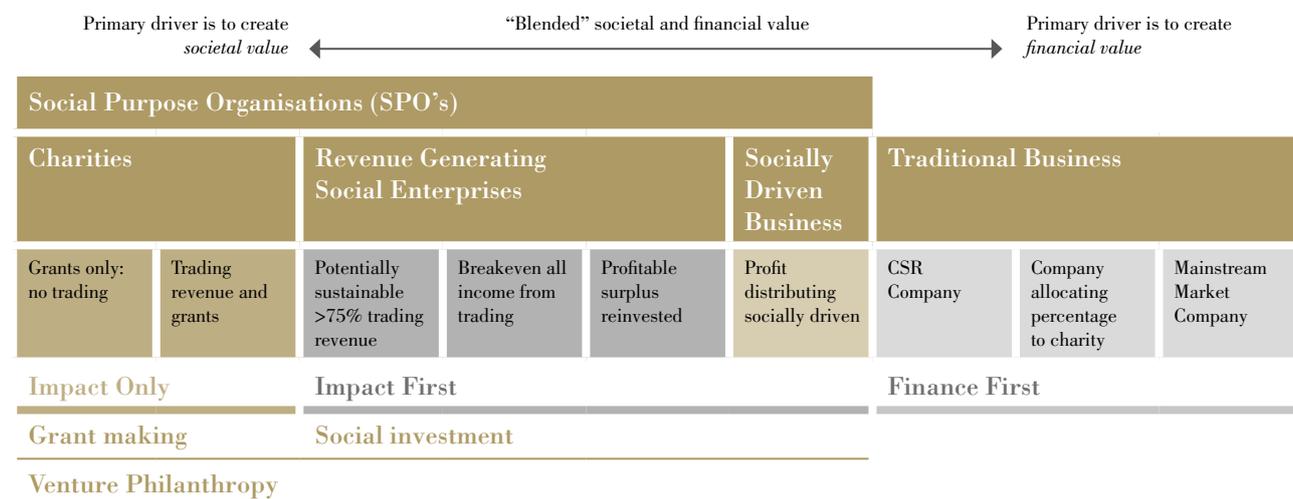
measurement. 90% of EVPA survey respondents measure impact on at least an annual basis and EVPA’s Practical Guide to Measuring & Managing Impact² offers a hands-on and practical guide to help even more organisations in impact measurement.

Conclusion

Venture philanthropy practitioners in Europe are a “broad range of institutions” containing groups working with different types of organisations and with different return expectations. However they are united through their shared focus on impact above all else. Recent research³ by EVPA also highlighted how increasingly venture philanthropy practitioners are working

on ecosystem development and engaging with other parties (government, private sector etc.) to ensure systemic change, an approach that only makes sense with an “impact centric” focus.

Since it’s launch in 2004, we at EVPA have been working to promote the development of venture philanthropy in Europe. By offering a forum whereby all more than 150 actors involved in this sector are able to interact and learn from each other as well as leading the way in providing professional training workshops and research in venture philanthropy best practices, we believe it can be best ensured that great solutions for societal challenges can spread faster and further.



² “A Practical Guide to Measuring and Managing Impact” Hehenberger, L; Harling, A; EVPA 2013

³ 12 Interviews carried out with experienced VPOs for the session “The good, the bad and the ugly: lessons learned from failures”, presented at the EVPA Gathering of Leaders, May 2013

Private funding to accelerate biomedical research in Luxembourg



Philippe Lamesch

Philippe Lamesch is responsible for fundraising and science communication at the Luxembourg Centre for Systems Biomedicine, LCSB. Philippe holds a doctoral degree in Molecular Biology from the Harvard Medical School. Before coming to Luxembourg, he was working with the Luxembourg Trade & Investment Office in San Francisco, USA, where he was responsible for promoting the “Luxembourg Personalized Medicine Initiative” and identifying potential biotech partners for Luxembourg.

In 2010, retired Luxembourgish pharmacist Pierre Hippert founded the Fondation du Pélican de Mie et Pierre Hippert-Faber under the aegis of the Fondation de Luxembourg. From the beginning, one of the primary objectives of the Fondation du Pelican was to finance research in the fields of biomedicine and biotechnology, with a focus on academic research. In 2011, Mr. Hippert’s foundation started a scholarship programme for Ph.D. students at the Luxembourg Doctoral

School of Systems and Molecular Biomedicine, thereby becoming the first foundation to support research at the University of Luxembourg. The Pelican grants are meant to pay for expenses that the students’ laboratories cannot afford, such as trips to conferences, participation in scientific workshops, or the coverage of costly experiments.

One of the students who received the Pelican grant in 2013 is Kathrin Hemmer, who is a graduate student in Jens Schwamborn’s Development and Cellular Biology Laboratory at the Luxembourg Centre for Systems Biomedicine (LCSB). Her work focuses on the transplantation of different kinds of stem cells in the brain of Parkinson animal models. The goal of this project is to prove the therapeutic potential of these cells for cell replacement therapies with the hope to completely cure Parkinson’s disease.

Kathrin will use the Pelican funds to attend scientific conferences and workshops abroad. In particular, she will participate in a SeeDB workshop held in Japan. SeeDB is a process where the whole mouse brain is rendered transparent, with its three-dimensional complexity of fine wiring and molecular structures remaining completely intact. *“Our research field is very competitive, and it is therefore extremely important for us to keep up with the newest techniques in this field. Thanks to the Pelican Foundation, I will be able to participate in workshops taught by world leaders in brain research. Upon my return, I plan to implement the SeeDB technique in our lab in Luxembourg and teach my colleagues this technique as well.*



Kathrin Hemmer,
Pelican grant scholar

“That way, my entire lab will benefit from Mr Hippert’s generous donation”, says Kathrin.

So far, 4 of the 9 Pelican grant recipients are students affiliated with the LCSB, which was founded in 2009 as a result of the Luxembourg government’s Personalized medicine initiative. It is the first biomedical research centre of the University and focuses its research on neurodegeneration, especially Parkinson’s disease. The LCSB has grown quickly since its creation, and now employs about 120 people, including about 70 researchers and 20 Ph.D. students.

Within a very short time, LCSB has become a competitive player in biomedical research on an international level. The LCSB group leaders are all experts in their field, the institute’s infrastructure is state-of-the-art and the labs are equipped with some of the most powerful instruments and robots currently available. All this is necessary to accelerate

research in the field of neurodegenerative diseases. However, carrying out this type of research on such a competitive level is expensive: in 2012, the LCSB spent about 7 million Euros in operating expenses, salaries, investments and sub-contracting. Although the Ministry of Research and Higher Education and the University cover a large part of these costs, it is up to the researchers to find their own grant money to carry out their research projects.

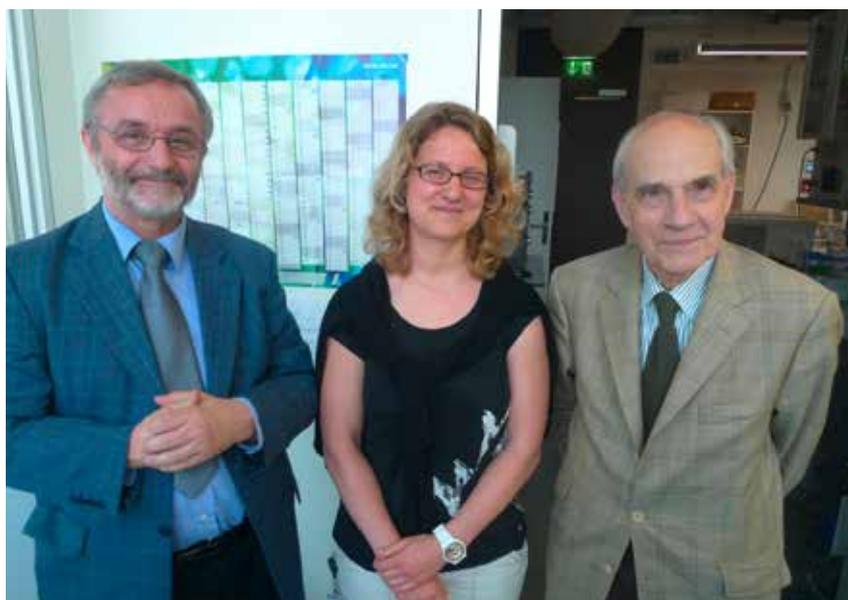
Luxembourg's research funding agency, the 'Fonds National de la Recherche' (FNR), is in charge of evaluating submitted research projects and chooses which ones to finance. In 2012, LCSB's funding success rate from the FNR was 30-60%, depending on the

programme. Although this is a much higher percentage than the 17% success rate of grant applications submitted in 2012 to the National Institute of Health in the US, many Luxembourg-based research projects cannot be funded due to the lack of available resources. As a result, many research projects have to be aborted, downscaled or never see the light of day.

In recent years, researchers all over the world have used crowdsourcing and sought private donations as a way to collect additional funds for their research. This has been especially successful for large private schools in the US such as Stanford and MIT who raise millions of dollars in private funds for research purposes every year. The University of

Luxembourg and its research centres have a long road ahead before they will reach the amount of support from private donors that these US Ivy league universities enjoy. One of the main challenges for all research institutes in Luxembourg is to raise awareness of all the new research efforts that were recently initiated in Luxembourg. The Grand Duchy does not have a history in the biomedical research sector, and institutes like the LCSB still lack the visibility needed to mobilize the crowd or to appear on the radar of large donors. It is therefore extremely important for Luxembourg-based research institutes to reach out to the community and educate people about their research.

At the LCSB, this is done through various local science fairs, public talks and lab tours, radio and television programmes, and science workshops for high-school students in the labs. The LCSB also published press releases that describe their findings in a way that is accessible to a lay audience. As the general public starts to get a better grasp of Luxembourg-based research projects, and understand how this research will eventually benefit their own health, more and more individuals like Pierre Hippert will decide to personally support the LCSB and other institutes in Luxembourg in order to accelerate biomedical research.



Prof. Dr. Rudi Balling, director of LCSB; Dr. Carol Linster, laboratory director; Mr. Pierre Hippert, founder of the Pelican Foundation

How do Family Offices approach philanthropy with their clients?

Frédéric Otto
President, Arche Family Office



Advice on philanthropy is an integral part of our client approach. As a family officer, we have developed over time a deep understanding of our client which enables us to determine not only the wealth he wants to transmit

to his heirs but also the impact he hopes to have on society. Our approach to philanthropy is based on four major steps: first, we determine with our client the way he wishes to allocate his wealth, and consequently, the part he wishes to dedicate to philanthropy at large. We then determine more precisely the themes for his philanthropic approach and the actions related to these themes; after that we propose the right tools from a legal and tax point of view and finally, we ensure proper governance.

Jean Fuchs – Founder and Managing Director,
Fuchs & Associés Finance



At Fuchs & Associés Finance, we most certainly have the expertise to support families in philanthropy and have already established several foundations to that effect. Indeed, for wealthy families

it is not merely enough to donate money to a useful cause, it is becoming increasingly important to do so wisely. We observe a stronger personal commitment from philanthropists and a greater focus on the impact of their involvement. Finding the right balance between the heart and the reason is an on-going challenge for ultra high net worth individuals (UHNWIs). An active approach towards philanthropy can help build deeper, richer client relationships and enhance client loyalty as well as further strengthening the links between family members.

Louis Guerrier
Chief Executive Officer, Antium S.A.



Antium's business is to look after individuals and families' global wealth. When entering into a new client relationship, philanthropy is one of the topics that we consider in the

definition of a global strategy for the client's wealth. Philanthropy implies a direct and personal involvement of the client. Antium's contribution is to select the best approach and the appropriate means to serve the client's wishes from the beginning of the operation and along the years to come. However, the ultimate decision maker is the client. Antium's coaching is dedicated to the creation and the administration of specific structures for philanthropic schemes.

Eric Osch – Director,
Stonehage Corporate Services Luxembourg S.A.



“The Stonehage Multi-Family Office serves its clients - high net worth individuals (HNWIs) and their families - on all issues relating to structuring and succession planning”. Making family fortunes

survive three generations suggests a redefinition of a family's wealth to include social capital. The most important assets of a family are the family members. Binding present and future generations and linking the more business-minded with the less business-minded individuals takes more than just financial assets. It also takes a sense for common good and for giving. Philanthropy is thus central to Stonehage's offering. For our clients, doing good is just as important as doing well.

