

Philanthropy Letter



FONDATION
DE LUXEMBOURG

Philanthropy in action

“It is one of the beautiful compensations in this life that no one can sincerely try to help another without helping himself.”

Ralph Waldo Emerson

Recent global crises have underscored the precariousness that millions around the world are experiencing. Despite challenges, significant efforts toward lowering poverty rates have proven effective and inspire optimism. After all, lifting up the most vulnerable benefits the whole of humanity.

By dedicating this Philanthropy Letter to the theme of **What Drives Inequality**, we hope to offer a constructive view on the strategies at work to break the cycle of poverty and narrow the inequality gap for generations to come.

We had the opportunity to discuss this topic with renowned economist and founder of the unified growth theory, **Professor Oded Galor**. In the interview, he outlines the criteria that allowed some societies to prosper while others were left behind, and the role of contemporary philanthropy in addressing today’s inequalities.

In another article, **Luísa Ferreira**, president of the Jos & Mimieke Foundation, under our aegis, provides concrete examples of how philanthropic giving improves education and health for disadvantaged communities for disadvantaged communities in Sub-Saharan Africa.

To further facilitate philanthropic giving for causes like these, a new, modernized legal framework for foundations in Luxembourg was voted this year. **Marc Elvinger**, leading legal expert on the non-profit sector in Luxembourg and partner at Elvinger Hoss Prussen, analyzes the law’s major changes and its potential impact.

We also turned the spotlight on four “next generation” philanthropists in our network who describe their personal approach to philanthropy. Their thoughtful insights give us reason to believe that philanthropy will continue to play a significant role in addressing the greatest global challenges.

As another tumultuous year comes to a close, we turn towards the new one with hope for peace, health and fulfillment for all global citizens with us on the journey of humanity.

We wish you a pleasant reading,

Tonika Hirdman



- 2 Exploring the origins of inequality with Professor Oded Galor
- 4 Untangling the web of poverty in Sub-Saharan Africa: A systemic approach

- 6 Un cadre légal modernisé pour les fondations et associations au Luxembourg
- 8 Next Generation philanthropists describe their approach to philanthropy

Exploring the origins of inequality with Professor Oded Galor

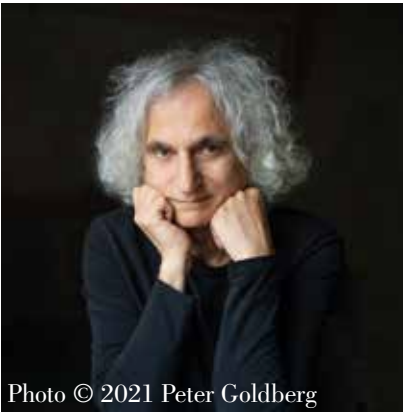


Photo © 2021 Peter Goldberg

Oded Galor

is Herbert H. Goldberger Professor of Economics at Brown University and the founding thinker behind Unified Growth Theory, which seeks to uncover the fundamental causes of development, prosperity and inequality over the entire span of human history. He has shared the insights of his lifetime's work in this field at some of the most prestigious lectures around the globe and has distilled those discoveries into *The Journey of Humanity* (Dutton 2022).

How do you see the role of philanthropy, and its evolution, in the context of rising inequalities?

Over much of human history, inequalities were relatively moderate, and the scope of philanthropy was very limited. However, in the past 200 years there was a dramatic transformation in living standards associated with increasing inequality, which naturally generated the scope for a surplus, and, for some individuals, a willingness to

In his book, *The Journey of Humanity: The Origins of Wealth and Inequality*, Oded Galor retraces the steps of human history and how certain criteria, such as technological advancements, population growth and education, allowed human progress to accelerate exponentially. With this growth came deepening inequalities, the same inequalities that philanthropy tries to address. In our interview, Oded Galor discusses these ideas, how they interact with contemporary philanthropy, and what comes next for human progress.

contribute this surplus for the public cause. This transition from stagnation to growth is associated with inequality, and in this context, with the emergence of philanthropic enterprises.

We can see philanthropy at early stages of industrialization, where some capital owners decide to support the education of workers. This was a different form of philanthropy, but nevertheless philanthropy in the sense that when they educate their workers, they cannot be sure that the workers will remain within their firms. Educating them expresses some sort of benevolence or philanthropic attitude. Later, particularly in the past four or five decades, wage inequalities increased so dramatically and some individuals commanded so much wealth, that of course they cannot take with them, or even leave in a meaningful way towards their heirs. They perpetuate their legacy and put an imprint on their preferences by being involved in philanthropy.

But I believe there is truly a benevolent component in the process. The philanthropic engagement of Bill Gates in Africa, for example, is based on a conviction that the world can be more equal. There is great unfairness in the world, and funds can change it. Part of the tragedy of Africa in terms

of prosperity and growth has to do with initial conditions.

African countries today have greater access to education but are still held back in terms of economic growth. How can you explain this?

If we think about different regions of the world in the past two hundred years and the differential timing of transitions to a state of prosperity, Africa is sort of the unique case where societies are largely behind. Part of the reason is that Africa still has a pronounced and unsustainable level of fertility, as it implies that prosperity is divided constantly between a larger number of people.

This is partly based on elements that have to do with education and gender equality. Naturally, gender equality would mean that women have a say in the number of children they want to have since they carry most of the cost of raising children, and if they can internalize these costs, then fertility will be likely be lower. In addition, we would like to assure that access to education is sufficiently large. In many African societies, partly due to colonialism, but not only, there is a continued specialization in the production of goods that are not hu-

man capital (educationally) intensive. Consequently, there is an insufficient demand for human capital, which would cause people to invest more in education and consequently lower fertility and de-link population growth and technological growth.

The question in Africa is, how can we generate the demand for human capital? It's not simple. First, if human capital is not present, there is less of an incentive for firms holding technologies that are educationally intensive to locate themselves in these places because the labor force will not be complementary to their needs. Second, since those firms are not there, the individuals have less of an incentive. It's almost a Catch-22 that prevents societies from investing properly in education. Naturally, there are a lot of other historical legacies that orient a society. It will be a lengthy process for Africa to convert and escape the trap, but the diffusion of transportation, information and medical technologies will eventually permit this.



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Camille Winling / Dignity asbl

If education is key to humanity's progression, how will AI alter the future landscape of learning and economic growth?

AI is a phenomenon we define as creative destruction. Something is being created but at the same time it destroys existing skills, like during the industrial revolution, when machines replaced artisans. The main difference today is the scale, in the sense that artificial intelligence technology is endangering major segments of society and may displace a large fraction of the labor force in the short term. Consequently, the AI revolution will be a huge source of inequality while acting as a catalyst for change in education. Rather than providing vocational education that can be displaced by machines, education would center on teaching us how to learn, how to be adaptable and to adjust to a changing technological environment.

Ultimately, there will be a demand for the types of skills that can complement these new technologies. Some of these skills we cannot yet envision, but these skills will allow more people to participate in the labor force.

Inequality in the short run is inevitable, changes in the education structure are a must, but in the long run, I think humanity will prosper as a result. We will have much more powerful technology, we will be able to save labor, and as a result, perhaps permit people to have more leisure time. It is not impossible that we would reduce the hours worked in a week to maybe 25 or 20. Nevertheless, we will generate even more prosperity because the machines will complement us in a fundamental way.

Can human ingenuity really save humanity from climate change?

Humanity has faced many challenges in the past, and, repeatedly, human ingenuity has rescued us from the verge of catastrophe. Nevertheless, there is a valid question here, whether the challenge of climate change will derail humanity from the incredible progress of the past two hundred years. In my view, it will not, in the sense that it is a great challenge, but there are certain changes in society that occurred in the past two hundred years. Climate change started with pollution associated with the industrial revolution, but at the same time, education and human ingenuity increased massively, and population growth declined. These are three critical forces in mitigating the adverse effects of climate change.

As we saw not so long ago in the context of COVID-19, when a crisis appears and the incentives are there, then human ingenuity can produce mRNA technologies within a year or two and basically rescue us from what appeared at the time to be an irreversible process. The critical forces of education, ingenuity and declining population will permit scientists to have perhaps two or three decades to develop revolutionary technologies that will hopefully make climate change a fading memory by the end of the century. But this is only conditional on not being complacent, enforcing strict carbon emission regulations, educating people, and being fully concerned about the environment. If this can be done, I am optimistic that human ingenuity will rescue us from catastrophe.

“I am optimistic that human ingenuity will rescue us from catastrophe.”

Untangling the web of poverty in Sub-Saharan Africa: A systemic approach



Maria Luísa Ferreira,
President of the Management Board of Jos et Mimieke Foundation,
under the aegis of Fondation de Luxembourg

Luisa joined the European Investment Bank in 1999, where currently she heads the Institute's Social Programme. Prior to joining the EIB she worked as an economist at the World Bank (1992-1999), and has held teaching positions in Portugal and research positions in the US. Luísa holds a PhD from the University of Wisconsin-Madison (USA).

The first time I set foot in Sub Saharan Africa, more precisely in Tanzania, was back in 1998. I fell in love with the colours, the smells, the flavours and the kindness of its people. At that time, Tanzania was emblematic of the broader challenges facing Sub-Saharan Africa (SSA). It was a place of stark contrasts, where the beauty of the land and the warmth of its people coincided with deep poverty and low standards of living. Overcrowded classrooms lacking basic supplies—sometimes 4 kids shared the same desk when they were lucky enough to have one, or a roof over their heads; health centres with no medical equipment; and children walking for hours to fetch for water and missing school.

No doubt that the world in general, and SSA, is better off today than it was 10 or 30 years ago when I first visited Tanzania. Major strides have been made since then, but almost halfway to 2030 and SSA is nowhere close to achieving most of the SDGs (Sustainable Development Goals). Recent crises have pushed the world further off track from the global goal of ending extreme poverty (SDG 1) by

2030. Given current trends, 574 million people – nearly 7 percent of the world's population – will still be living in extreme poverty (less than \$2.15 a day) in 2030. And the challenge is made harder by the fact that extreme poverty is concentrated in parts of the world where it will be hardest to eradicate: in Sub-Saharan Africa, in conflict-affected areas, and in rural areas. Still, in 2019, it is estimated 50% of the world's extreme poor lived in SSA, or a staggering 398 million people. Fortunately, indicators like the infant mortality rate more than halved between 1990 and 2021, from 107 to 50, and the neonatal mortality rate fell from 45 to 27, still well above the value of 18 worldwide. And if we want to put it in perspective why not compare it with a value of 2 in Luxembourg?

Poverty is complex and multi-dimensional and alleviating it requires a systemic approach.

Poverty is also intertwined in other of humanity's challenges – like climate change, environmental degradation, war, health or food crisis, and inequalities – and it also cannot be solved separately. There is no denying

that challenges of this magnitude can be daunting, and therefore demand the coordinated efforts of all stakeholders. The philanthropic sector is unquestionably one of these crucial stakeholders. **Efforts, even when undertaken by relatively smaller foundations such as the Jos and Mimieke (J&M) Foundation, have the potential to create a substantial impact in alleviating poverty.** This short-term, but hopefully permanent, impact is achieved through concentrated initiatives and strategic approaches within the communities they support. The ambition is to support interventions that are effective in the short run to alleviate the main dimensions of poverty, while

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creating conditions to empower the most vulnerable components of the community, such as women and children, to win the struggle with poverty today and tomorrow.

Since its establishment in 2015 under the aegis of Fondation de Luxembourg, the J&M Foundation has made a deliberate choice to operate in SSA, with a particular focus on the Democratic Republic of Congo, one of the poorest countries in the world, where poverty and low standards of living remain a significant challenge. This decision stems from a personal connection to the country, as the founder's parents spent a significant portion of their adult lives there. Wishing to give back to the country, the foundation's primary mission is to invest in human capital (with a special focus on health and education), reducing poverty and fostering growth and development in the region.

Several implicit principles underlie the projects we finance. First, a crucial aspect of our operational approach is that the initiatives funded

by the foundation invariably incorporate a capacity-building component, be it training for trainers, empowering community groups, or promoting the transfer of knowledge between health sector professionals. In our approach, we do not simply provide the fish or the fishing rope, but instead, focus on teaching individuals how to fish for themselves, and, not less important, how to preserve the fish for the future generations of the community. Second, we aim to support initiatives that receive co-funding from other organizations, allowing us to magnify the impact of our contributions and leverage resources effectively and efficiently. Third, we always strive to ensure that our efforts are sustainable and locally driven.

Finally, some of the initiatives we fund are dedicated to raising awareness about significant issues, like disabilities and the role that local institutions can play in the integration of the less able within the community. By doing so, we strive to encourage meaningful dialogue, drive positive change, and build a more inclusive

and compassionate society. The work of the J&M Foundation exemplifies the power of philanthropy and highlights the significant impact that even smaller foundations can have in addressing the complex issue of poverty in SSA. By focusing on empowerment, sustainability, and inclusivity, they contribute to the broader goal of creating a better future for those living in poverty.

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Photo © T. Freteur / Handicap International

One of the focuses of the Jos and Mimieke Foundation is improving the health and integration of the less able within their communities. Pictured here is 12-year-old Raphael, who attends an inclusive school in Selembao, south Kinshasa (RDC) thanks to properly fitted crutches from Handicap International, allowing him greater mobility and independence. This project has been supported by the Jos and Mimieke Foundation.

Maître Marc Elvinger, du cabinet Elvinger Hoss Prussen, présente son analyse de ce qui change avec la nouvelle loi, entrée en vigueur le 23 septembre 2023.

Un cadre légal modernisé pour les fondations et associations au Luxembourg



Il aura fallu près de 15 ans pour que le projet de loi sur les associations sans but lucratif et les fondations, déposé en juin 2009 par l'actuel Premier Ministre qui fut alors ministre de la Justice et ministre des Finances, devienne la loi du même nom du 7 août 2023.

Les facteurs de retard auront sans doute été multiples : intérêt modéré pour le sujet de la part des successeurs immédiats de Monsieur Frieden, grande diversité et relatif conservatisme du secteur concerné (« Mier welle bleiwe wat mier sinn » ou, « Nous voulons rester ce que nous sommes »), donnant lieu à de multiples résistances au changement de l'existant.

En juillet 2021, le projet a finalement pris un nouvel élan avec le dépôt de toute une série d'amendements gouvernementaux qui ont respectivement donné lieu au vote de la loi en juillet 2023, à sa promulgation le 7 août 2023, puis à son entrée en vigueur en septembre dernier.

Il n'est pas question d'entrer ici dans le détail des changements que la loi du 7 août 2023 apporte et on s'en tiendra ici aux points qui paraissent les plus importants au soussigné.

Détention et acquisitions d'immeubles

À l'avenir, les fondations pourront détenir des immeubles même si ceux-ci ne servent pas leurs propres besoins. Ainsi, il n'est plus nécessaire de mettre en vente des immeubles reçus en donation ou en legs successoral si la fondation n'en a pas d'usage propre et direct. Il est par ailleurs possible d'acquérir des immeubles à des fins de gestion du patrimoine de la fondation et de percevoir des loyers permettant de financer les activités de la fondation sur le long terme.

Élargissement de l'objet social d'une fondation

S'agissant des causes d'intérêt général éligibles pour une fondation, la nouvelle loi ajoute la défense et la promotion des droits de l'homme ainsi que la protection de l'environnement et des animaux.

Exigence d'un ancrage luxembourgeois

Un point d'interrogation que fait planer la loi nouvelle a trait à la portée de l'exigence nouvellement introduite suivant laquelle « les activités de la fondation doivent avoir une substance réelle au Grand-Duché de Luxembourg ».

Cela dit, pour autant que la « tête pensante » et l'administration centrale d'une fondation soient enracinées à Luxembourg, l'exigence de l'ancrage luxembourgeois devrait être satisfait, quel que soit le lieu où les activités opérationnelles de la fondation sont déployées, respectivement ses ressources utilisées. De l'avis du soussigné, toute interprétation contraire se heurterait au demeurant au principe constitutionnel de la liberté d'association, d'autant plus que la même exigence s'applique aux associations sans but lucratif.

Introduction d'un contrôle d'honorabilité des administrateurs

À l'instar de ce qui existe dans d'autres secteurs réglementés – et notamment dans le secteur financier – la loi introduit un contrôle d'honorabilité (initial et périodiquement renouvelable) des administrateurs d'une fondation.

Modernisation des modalités de convocation et de tenue des conseils d'administration

La loi permet désormais la convocation des conseils d'administration par courrier électronique, la tenue des conseils par visioconférence, la prise de certaines décisions par résolution circulaire prise à l'unanimité, etc.

« Fondation » – appellation protégée

À l'avenir, seul les fondations légalement constituées et approuvées pourront s'appeler « fondation » et inclure ce terme dans leur dénomination sociale.

Contrôle des comptes annuels

À l'avenir, toute fondation devra confier le contrôle de ses comptes annuels à un réviseur d'entreprises agréée. Exigence supplémentaire, et qui est sans doute le reflet de certaines préoccupations – voire remontrances – du GAFI (Groupe d'action financière) : désormais l'annexe aux comptes annuels d'une fondation devra renseigner en détail les financements accordés aux activités situées au Grand-Duché, dans les autres pays de l'UE, de l'EEE ou au-delà de ce rayon géographique.

La question se pose de savoir dans quelle mesure le ministère de la Justice, comme autorité de surveillance des fondations, interprétera ces informations pour apprécier si les activités d'une fondation ont une « substance réelle » au Luxembourg.

le cadre légal institué par la nouvelle loi doit être salué

Possibilités de « transformation »

Innovation majeure de la loi de 2023 : une association peut désormais se transformer, sans perte de personnalité juridique, en fondation, à condition, bien-sûr, de répondre à toutes les conditions de constitution d'une fondation et d'être reconnue comme telle par arrêté grand-ducal. Certains voudront sans doute mettre cette possibilité à profit pour démarrer, sans grandes formalités et en dehors de toute exigence d'approbation, une activité d'intérêt général dans le cadre d'une association sans but lucratif pour entamer ensuite une démarche de transformation de celle-ci en fondation.

La nouvelle loi rend pareillement possible la fusion entre fondations, tant par absorption d'une ou de plusieurs fondations par une autre, que par constitution d'une nouvelle fondation.

En conclusion

D'une manière générale, le cadre légal institué par la nouvelle loi doit être

salué, y compris par le supplément de sécurité juridique qu'il apportera. Ceci sous réserve cependant de la manière dont sera mise en œuvre l'exigence de « substance » au Luxembourg.

Il faudra voir si le nouveau gouvernement reviendra à l'un des objectifs que poursuivait l'initiateur du projet de loi il y a d'ici 15 ans : faire de la philanthropie un outil supplémentaire de la « tool-box » de la place financière, à l'instar de ce qui est le cas pour d'autres places. Sous ce rapport, il s'agira aussi de voir si le ministre de la Justice se donnera les moyens requis pour pouvoir exercer convenablement et diligemment les responsabilités que lui confère la loi.

Maître Marc Elvinger

En raison de la limitation de l'espace disponible, ce texte a dû faire l'objet de retouches par le comité de rédaction. Vous pouvez retrouver l'intégralité complète du texte par l'auteur sur www.fdlux.lu/fr/page/actualites

Historique de la loi

- **Avril 1928**
Loi modifiée sur les associations et les fondations sans but lucratif
- **Juin 2009**
Dépôt du projet de loi n.6054
- **Juillet 2021**
Dépôt d'amendements gouvernementaux
- **Juin 2023**
Vote du projet de loi n.6054
- **Août 2023**
Signature par le Grand-Duc, de la nouvelle loi, qui entre en vigueur le 23 septembre

Next Generation Philanthropists

How would you describe your approach to philanthropy?

Céline Robyns,
Education and Integration for All Foundation,
under the aegis of Fondation de Luxembourg



My parents started a wonderful organization 15 years ago and their approach towards the next generation was one of letting us choose our own commitment and support. Hence my participation is one of personal commitment and not family duty, which makes it more meaningful and long lasting. In memory of our son, I have been

thinking about setting up a new branch in our foundation or helping existing foundations with children brain tumors research and palliative homecare for children. Combining existing and new causes brought by the new generation, is a way for foundations to gain fresh energy, views and hopefully create impactful synergies.

Claire Ruggieri,
Fondation Junclair



When their first grandchildren were born, my parents were inspired to create a foundation that would share the values of the family company, the most important being solidarity. The foundation also fulfilled an educational mission, reminding each of us and our children of our luck, but also our duty to act responsibly and to

be aware of the complex and unequal world around us. For 15 years, the Junclair Foundation has deployed projects in the areas of education, the fight against violence and poverty, and environmental protection. All family members are involved in project decisions, and the children, even some as young as 14, may participate.

Nelson Vanderfelt,
Fondation Norbert et Poupette Graas-Lavie,
under the aegis of Fondation de Luxembourg



Being a philanthropist is not simply about being generous, it is about ensuring the transmission of values, ideologies, and our passions to future generations. From a personal point of view, philanthropy also has an international dimension. Having grown up in the cosmopolitan environments of Luxembourg and Madrid, being

a philanthropist is, for me, the ability to be open to new cultures. Indeed, philanthropy undoubtedly holds the key to a better future by becoming the torch that stands up to the socio-political, economic, and environmental tensions that overwhelm our societies today.

Nathan Steinegger,
The Micah 6:8 Foundation,
under the aegis of Fondation de Luxembourg



Truth be told I am still early in my philanthropy journey but have been blessed with wonderful parents who have included me in initiatives as part of their foundation. Through their work and my experience I would summarise my approach in three ways. Build genuine connections with people locally and who work on the projects.

Approach projects with humility and the understanding that locals on the ground will most likely know their needs more than you will. Finally have a targeted goal that you are passionate about and stick to it, whether that be a cause, region or individual.