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Philanthropy Letter

FONDATION
DE LUXEMBOURG

Philanthropy in action

'If you have built castles in the air, your work need not to be lost; that is where they should be. Now put foundations under it.'

Henri David Thoreau

With the support of private philanthropic funding, a wide variety of organizations all around the world are more than ever activating themselves to address the many challenges faced by our modern societies. The need for assessing the real outcomes of this engagement therefore appears more crucial than ever. Nevertheless, donors sometimes struggle to get straightforward answers to their questions about the results of their giving. Impact assessment contributes to delivering better solutions, increasing the efficiency of every euro spent, but also serves as a source of inspiration for others to engage. In their article, Melissa Berman and Donzelina Barroso from Rockefeller Philanthropy Advisors present a rich guide sorting out the different approaches to impact assessment and why it is important to develop a giving strategy.

This modern approach to philanthropy is reflected by the example of Fondation PRAIRIAL under the aegis of Fondation de Luxembourg. Michel Sanitas, co-founder of this family-foundation and long-term supporter of social entrepreneurship shares with us the path chosen for his engagement and the first achievements made possible through this young foundation.

For philanthropic giving to develop further in Europe, it is essential to gain deeper understanding in the motivations of those who decide to share their wealth. In this journey into the many faces of European philanthropy, Jérôme Kohler, co-founder of the philanthropy chair of the Essec business school, together with French anthropologist Marc Abélès, have over a couple of years studied the differences in the motivations and giving approaches of northern versus southern Europeans. The interesting outcome of this academic study is highlighted in this edition of the Philanthropy Letter.

We wish you a pleasant reading.

Tonika Hirdman

Assessing Impact: Five steps to effective philanthropy

What's happening with the money I donated? Did I make a good choice? Is it working? Is anything really changing?

Melissa A. Berman

is the founding President and CEO of Rockefeller Philanthropy Advisors, a nonprofit philanthropy service launched by the Rockefeller family in 2002 that works with donors to create thoughtful, effective philanthropy around the world.

Donzelina Barroso

is a Senior Philanthropic Advisor and part of the New York advisory team. Among other clients, she works with a number of Rockefeller Philanthropy Advisors' international donors to help plan and facilitate their philanthropy.

Donors sometimes struggle to get straightforward answers to questions they have about the results of their giving. Most donors want to understand if they have made good choices, and whether they should adjust their approach.

Philanthropy is in a period of remarkable ferment on the assessment issue. Understanding different approaches to assessment is a key to selecting the right approach for your own giving.

We suggest the following five steps to help develop an assessment strategy that best suits your goals.

Step 1: Understanding What Assessment Can Do

Here are three of the most important reasons why donors use assessment:

- **Accountability:** Were my funds used as intended?
- **Decision Making:** Which nonprofits should continue to get support? Would a different type of grant better allow the nonprofit to achieve its potential?
- **"Proof of Concept":** The program worked, so can we attract other donors or replicate the model?

Step 2: Measuring Effectiveness – What Approach Is the Best Fit

Three different approaches dominate philanthropic assessment. It is important to understand which approach best matches your goals.

1. **Evaluation**
Evaluation is the most established method of assessing results and usually focuses on the grant or program level. It may focus on measuring intended goals versus outcomes achieved; monitoring a program as it develops; cluster evaluation, which looks at learning across a series of programs; and, in health programs, experimental design, which involves a control group to compare a program against. Used well, evaluation helps to clarify whether or not an intervention has worked and why.

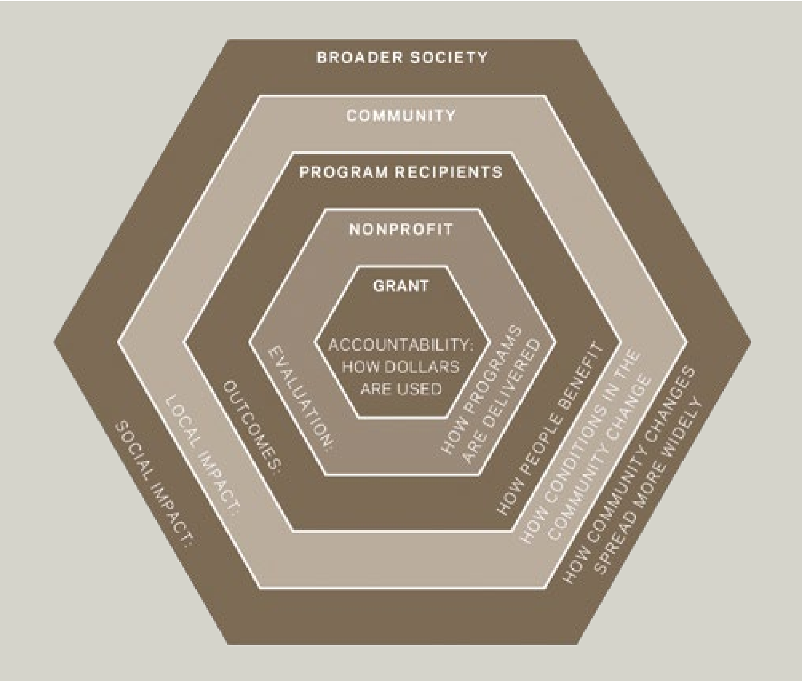
2. **Return on Investment (ROI)**
This approach is a hallmark of venture philanthropy and the social enterprise movement. It seeks to understand the relationship between funds invested and results in as quantifiable a manner as possible.

While there is justifiable enthusiasm for this approach, it has disadvantages. For many complex problems, we know too little to be able to create the equations and formulas that provide reliable and actionable answers, so ROI calculations often rely on assumptions.

3. **Systems Thinking**
Systems thinking begins at the broadest level of a complex problem and attempts to identify all the major underlying factors. It then assesses which interventions offer the greatest potential for changing the whole system.

While holistic, systems thinking poses the challenge of engaging all community partners and stakeholders simultaneously.

Levels of Assessment for Funders



Step 3: Deciding on a Level for Assessment

In order to accurately assess what change programs are achieving, donors must first decide what level in the process of change they want to examine. Using a grant to build a school in India as an example, among the items to assess are:

1. Is the construction completed on budget and on time?
2. Does the school have the right facilities for the target population?
3. Does it have qualified teachers?
4. Are students attending?
5. Are students making academic progress?
6. Are students going on to higher education?
7. Are students getting better jobs than they would have otherwise?
8. Are their lives better?
9. Is their community better overall as a result?

Each of these questions deals with a different level of impact – and generally implies a different time frame, level of complexity and cost to assess.

Step 4: Understand Challenges in Assessing Impact

Assessment has become more complex as ambitious donors, nonprofits, and experts have sought to define how philanthropy is helping to solve fundamental social problems. This new rigor may also lead to unrealistic expectations from well-intentioned donors.

Effective philanthropists continue to make judgments based on several factors:

- Prior performance;
- An informed viewpoint about what innovations may succeed;
- A realistic understanding of the time horizon;
- The capacity of the nonprofit's leadership to forge a successful path.

Step 5: Build a Partnership

Donors and grantees should, ideally, reach a respectful agreement before a grant is made. What is the grantee responsible for? What will the donor do? What might a third party be engaged to do? Who pays? Are there existing reporting methods that will work for the donor? Could the donor partner with other funders on a common approach?

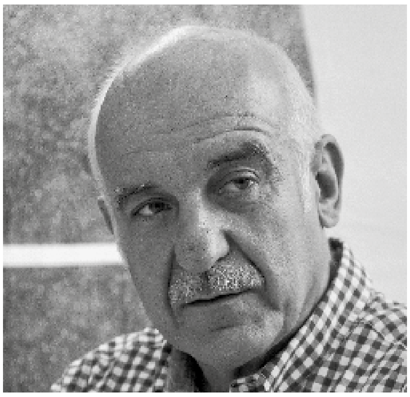
Some nonprofits suffer unduly from donors' enthusiasm for reporting and assessment. Each donor, they feel, has a different set of reporting requirements – and the burden can be overwhelming. By recognizing that many nonprofits already have good information on what programs work and why, donors can save money and effort.

Final thoughts

Precision in measuring impact can be a difficult goal. Still, donors should not be discouraged. Civil society benefits from a culture of accountability. Such a culture begins with donors who decide to be accountable for their own giving and how that giving affects the community they've chosen to serve.

> *"If you want to see progress and ensure you are having impact, you have to understand what problem you're trying to solve. If you don't know what kind of change you're trying to make, it's going to be hard to figure out if you're making any progress."*
>
> Melissa Berman, CEO, Rockefeller Philanthropy Advisors

Une fondation familiale pour stimuler l'entrepreneuriat social



Michel Sanitas

est français, marié et père de trois enfants. Après des études scientifiques et techniques il occupe différentes fonctions d'encadrement dans les secteurs de la métallurgie, de l'énergie et de l'informatique. En 1996, il créé au Luxembourg, avec deux associés, la société de service en ingénierie informatique InTech qui compte aujourd'hui une centaine de salariés. En 2014, il cofonde avec les membres de sa famille la Fondation PRAIRIAL sous l'égide de la Fondation de Luxembourg.

Monsieur Sanitas, quelle est l'origine de votre engagement philanthropique ?

La vie, tant sur le plan familial que professionnel, m'a beaucoup apporté. Je considère que j'ai eu beaucoup de chance. Donc il vient naturellement un moment où l'on ressent le besoin de redonner un peu de ce que l'on a reçu. Comme dit le proverbe : « Tout ce qui n'est pas donné est perdu ». Je crois que c'est assez juste, et c'est finalement une bonne philosophie de vie.

D'où vient votre engagement dans le secteur de l'entreprenariat social ?

Les changements profonds et extrêmement rapides de nos sociétés font émerger des besoins sociaux nouveaux, dans un environnement de plus en plus complexe. L'action publique bien que toujours nécessaire rencontre ses limites. Le secteur concurrentiel marchant, lui, ne trouve pas les équilibres économiques qui lui sont indispensables pour faire de ces besoins un marché. Il me semble alors que l'entreprenariat social, en alliant le meilleur des deux mondes, c'est à dire solidarité et efficacité, et parfois en les faisant coopérer, est une voie complémentaire pour adresser toute la complexité des ces nouveaux besoins.

Quels objectifs souhaitez-vous atteindre à travers l'action de votre fondation ?

La fondation vise à soutenir des entreprises sociales ayant un fort impact. Encore faut-il pouvoir mesurer cet impact, ce qui n'est pas toujours chose aisée. Cette mesure de l'impact social, essentiel à l'avenir, est un domaine que la fondation souhaite approfondir pour accompagner de plus en plus d'entrepreneurs sociaux.

Quel a été votre parcours dans la mise en place de votre soutien à ce secteur ?

J'ai dans un premier temps pris contact avec le département philanthropie de la Banque de Luxembourg. Ceci a permis d'évoquer les différentes voies possibles et c'est assez naturellement que la solution consistant à créer une fondation abritée sous l'égide de la Fondation de Luxembourg est apparue.

Comment vous engagez-vous personnellement dans votre fondation ?

Au delà de la sélection des projets avant subventions et de l'évaluation de leur impact, je les accompagne parfois dans l'approfondissement de leur modèle économique et de leur stratégie de développement. De plus, je participe au Comité de Sélection du programme Startup de l'incubateur Antropia à Paris (une initiative de l'ESSEC).

Vous avez créé une fondation de type familial, quelle a été la réaction et l'implication de vos enfants ?

En tant que parents, avant même de transmettre un patrimoine, je pense que l'on doit surtout transmettre des valeurs. C'est dans cet esprit que la fondation familiale a été créée. Le sens de cette décision a donc été compris et l'accueil positif. D'ailleurs, mon fils Nicolas, accompagne actuellement bénévolement l'association Eau&Vie (mise en place de réseaux d'eau potable dans les bidonvilles du Sud-Est Asiatique et d'Afrique) pour le développement d'une application mobile destinée aux relevés des compteurs d'eau sur le terrain.

Quelle serait votre définition d'un entrepreneur social ?

Un entrepreneur social est avant tout un entrepreneur. C'est donc une personne responsable et engagée qui manifeste une grande autonomie et cultive l'interdépendance au sein de ses réseaux. Ce qui le différencie, c'est certainement son sens aigu de la solidarité dont il a fait une règle de vie.

De quelle manière participez-vous au « repositionnement de la dimension humaine au centre de l'activité économique » ?

La fondation soutient un secteur économique à part entière, l'entreprenariat social, qui met au cœur de ses préoccupations la satisfaction des besoins fondamentaux de l'être humain, c'est à dire ses besoins essentiels. Citons parmi ces besoins, l'intégration sociale par le travail, une alimentation saine à prix raisonnable, l'accompagnement des populations vieillissantes, l'ouverture au monde des plus jeunes, la gestion responsable de l'environnement, etc.

Quelles sont vos impressions, votre retour d'expérience au sujet de ce secteur en pleine croissance ?

Je suis frappé de voir à quel point la jeunesse, ou une partie d'entre elle, est impliquée dans ce secteur d'activité. Bon nombre d'entre eux sont diplômés de filières prestigieuses, grandes écoles d'ingénieurs ou écoles de commerce. Ils ne vont peut-être pas changer le monde, encore moins changer la nature humaine, mais ils sont dans l'action, innovent et trouvent des solutions pratiques face aux défis d'aujourd'hui. Ils rendent optimiste et donne de l'espoir. Nous devons faire confiance à cette jeunesse et l'accompagner du mieux que nous pouvons.

Quel rôle pensez-vous que puisse jouer la philanthropie dans le développement de l'entreprenariat social ?

Bien que répondant à de réels besoins clairement identifiés, l'équilibre économique des startups sociales n'est pas toujours évident à déterminer dans un premier temps. C'est à ce moment crucial où la philanthropie, aux côtés de l'action publique et des entreprises classiques, prend tout son sens. Mais cette générosité et cette solidarité doivent s'accompagner impérativement d'une exigence de résultats, seule garantie pour pérenniser l'impact social positif.

Avez-vous un exemple marquant de projet à partager ?

L'association MINOS qui a pour vocation de récréer et renforcer les liens sociaux en zone très rurale est un exemple typique d'entreprise sociale qui permet la coopération des pouvoirs publics, des citoyens et du secteur marchand. Je vous incite à visiter leur site (www.minos-ess.org) ... Et pourquoi pas à les soutenir !

The different faces of European philanthropy

Jérôme Kohler

is the co-founder of the Philanthropy Chair at the ESSEC Business School and director of the company *L'initiative philanthropique* which advises individuals and their families on philanthropy. In a voluntary capacity, Jérôme Kohler is a member of the European Venture Philanthropy Association, a director of the *Fondation Maurice Ravel*, the EpA Fund and AMOC (Opéra Comique) and is also a member of the steering committee of the *Fondation Culture & Diversité* and a former president of *Paris-Musées*.

The philanthropic motivations of the very wealthy in Europe often remain a mystery to many people. From the offerings made to the Egyptian gods thousands of years ago to the work of the Gates Foundation, the act of giving is an integral part of society. Yet donations, especially if large, or the creation of a foundation, are quite complex concepts for many to comprehend. An understanding of what motivates founders to engage in philanthropy is key to obtaining a better grasp of the issues surrounding the different forms of European philanthropy.

In collaboration with the anthropologist Marc Abélès, we have carried out an exhaustive study[1] that features 63 interviews with wealthy individuals in a range of European countries including France, Spain, Luxembourg, the Netherlands and Belgium. A key finding is that two types of philanthropy exist in Europe; the first can be called “passionate philanthropy” and is more evident in southern Europe while the second is a “reasoned philanthropy” that tends to prevail in northern Europe. The former can be associated with a desire to act quickly, while the latter affords time for reflection, in this way identifying societal needs and the best way to intervene. Both types of philanthropy are nevertheless subject to developments that are common to the whole of the philanthropic sector as well as to a set of shared values to which founders refer when considering their actions.

Passion versus Reason

Passionate philanthropy is based on shock with potential triggers including a life-changing event, a realisation of society's problems or an inspirational project leader. The individual becomes aware, often brutally, of a series of problems and tries to identify potential actions bearing in mind his financial resources.

He wants to help and is driven by a desire to act. Once embarked on this trajectory, the individual tends not to appeal to peers and prefers to act alone to choose a response to a societal need. He acts single-handedly to identify the best kind of structure to be set up, the relevant methods of intervention (scholarships, awards, grants, etc.) and the people or institutions with whom he wishes to work. This is a real paradox: the philanthropist, often with significant responsibilities in his working life, seems to abandon the rigours of professional domains for an almost affective approach, at the risk of falling into a certain amateurism.

This approach is that of a philanthropy with a personal slant, discarding the rules of rational economic behavior as if philanthropy were a “bubble” not subject to certain restraints. This sentiment can be so strong that some philanthropists claim that the individual's freedom to donate and the intrinsic nature of generosity validate any approach.

"Two types of philanthropy exist in Europe."

Reasoned philanthropy, most common in northern Europe (Belgium, Luxembourg, the Netherlands), is mainly characterised by the time taken by the philanthropist to reflect in order to fully understand the needs of the chosen sector, although the trigger is often the same as that for the passionate philanthropist. While retaining the spontaneity and generosity of the initial impetus, the reasoned philanthropist draws up an action plan and considers the resources that he wishes to contribute and with whom to collaborate. The process takes the needs of the beneficiaries as its starting point in constructing a philanthropic approach. The approach is subsequently evaluated in order to measure the impact on the beneficiaries.

The development of the approach can be illustrated by three trends:

- **Seeking greater operational efficiency** through impact investing[2], collaborations between foundations or adopting the model of venture philanthropy[3].
- **The use of paid experts or service providers** to manage foundations, carry out due diligence, conduct project evaluation on the ground, etc.
- **The specialisation of interventions** or type of target beneficiaries (diaspora philanthropy).

A philanthropy based on strong values

The overview reveals different approaches to philanthropy depending on the country. However, it is striking to note that all philanthropists refer to a common set of values. Whether they wish to express a moral sense or religious beliefs, to leave a legacy other than the mere transmission of wealth, to give back to society, or simply to demonstrate generosity, they all express a strong will to engage for the common good.

What can be concluded from these considerations? In terms of implementation, a more structured, reasoned philanthropy is emerging. It is also true that the philanthropic sector is growing with the emergence of unifying, structuring forces such as the European Foundation Centre, the Fondation de Luxembourg and the King Baudouin Foundation. This has facilitated the professionalisation of the actors involved and their cooperation or, at the very least, the exchange of good practices to offer significant leverage for the philanthropic sector when addressing the many challenges of modern society.

[1] Marc Abélès, Jérôme Kohler: "Motivations philanthropiques des grandes fortunes en Europe", 2014, published by BNP-Paribas.
[2] This consists of aligning the management of financial allocations or flows with the general interest missions of the philanthropic vehicle.
[3] www.evpa.eu.com

What is your approach to philanthropy services?

Toni Teppala – Managing Director, Head of Wealth Offerings
Nordea Bank S.A., International Private Banking

For us, it is important to actively contribute to society – not only with our own actions as a corporate citizen, but also by helping our clients make a difference. An increasing number of clients wish to have a concrete impact in areas close to their heart. We believe that philanthropy is an effective way to express one's values and fulfil objectives of personal importance.

Our approach to philanthropy is to integrate it into our wealth planning and investment advisory concepts. Our promise to our clients includes providing wealth planning fitting to their individual situation, understanding their specific needs and preferences as an investor and finding the right solutions matching these needs. By having philanthropy as an integrated element in our offering, we ensure that we fully can live up to that promise.

We complement our strong in-house capabilities within wealth planning and investments with the expertise of external specialists who share our values and high standards. This is why we have chosen to cooperate with Fondation de Luxembourg in building up our philanthropy offering. It is important to us to have a trusted partner that can help us in providing our clients with sound advice and personalised service for their philanthropic engagements.

Claire Douchy – Responsable offre philanthropique et ISR
Société Générale Private Banking

We have observed that, in France as well as in other European countries, our wealthy clients, most of them entrepreneurs, are increasingly demonstrating a strong wish to dedicate a part of their wealth to the support of charitable causes.

As for any other wealth management matter, from organizing an inheritance to assisting an entrepreneur in the sale of his company, our financial engineering experts have the skills to accompany and advice a donor in the structuring of his philanthropic endeavors.

Nevertheless, we are convinced that our role cannot be confined to structuring, since we believe there is no efficient philanthropy without a global strategy. Our philanthropy center aims to assist our clients in the global conceptualization of their project, just as in the case of starting a new business: we ask them regarding the scope of their engagement and also with regards to the people that they would like to involve, as well as about the amount they wish to dedicate. Is the area of engagement already being addressed? How and by whom? We talk about the duration of their engagement, about geography, risks, synergies, how to measure the impact, etc.

Sometimes, we will offer our clients to join the charitable causes supported by our 29 Haussmann foundation. Whatever the approach the client choses, we will always share our network and introduce our clients to the most appropriate professionals, such as philanthropy consultants and renowned European umbrella foundations, like the Fondation de Luxembourg.

Our Philanthropy center is not a profit center but a place, where collectively we are proud to work for the public interest.

FONDATION DE LUXEMBOURG
Philanthropy in action

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