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[Home](#) [People Moves](#) [Categories](#) [Research](#) [Events](#) [Videos](#) [About](#) [Account](#)

Philanthropy, Impact Investing Can Work Side-By-Side - Foundation

Robbie Lawther, Reporter, London, 28 September 2017



The director general of Fondation de Luxembourg discussed the largest area of philanthropy.

Philanthropy is a financial sector which sees money donated to help great causes without the want for a return. According to *Coutts' Million Dollars Donor Report 2016*, \$56 billion was donated within 2,197 donations across the UK, US and Middle East. Alongside philanthropy is impact investing, which is investing in companies that make a difference globally in the hope to make a profitable return. Investors plan to commit \$25.9 billion in assets to impact investment deals this year, a 17

per cent increase from the year before, according to a survey by the *Global Impact Investing Network*.

Despite the differences in philanthropy and impact investing, Tonika Hirdman, director general of the **Fondation de Luxembourg**, which was created in 2008, says the industries can work together.

“Philanthropy and impact investing can work side-by-side,” Hirdman told this news service in an interview. “These are two different things but closely related. The major difference is that with impact investing, you have the notion that you will get your money back. Philanthropy, you give up your money; it’s irrevocable. I think that philanthropy and impact investing work best when you combine them. So for instance, if you give your money away to support a foundation to support a specific cause, and that foundation at the same time invests part of the capital in ventures, that further the same cause. It can have a greater impact, where one aspect is furthering the other.”

“It is important to remember that a foundation has two legs, one is furthering the cause directly with the donation, and the other is the investment of the endowment. It would be silly to invest that endowment in activities that go against the cause. I think the most efficient is a combination of the two,” she continued.

However, despite the increased interest into impact investing within the past two years, philanthropy is still one of the biggest industries within the financial sector. And according to BNP Paribas’ *2015 Individual Philanthropy Index*, it found that global philanthropy was increasing across Europe, Asia, the Middle East and the US, as the index grew by five points on

average in 2015.

There are a bewildering variety of causes to donate to. To navigate this complex terrain, the Fondation de Luxembourg looks to help donors find out which issue they want to improve. Hirdman discussed the different segments of philanthropy and explained why education has become a crucial area within the sector.

“We support projects in five areas: poverty reduction and social cohesion, education, culture and diversity, climate change and bio-diversity, and health and research,” she said. “Most of our projects are related to education and supporting young people. Philanthropists understand the essential role they can play for future generations and the impact they can have on young people, their family, their community and eventually even a whole country. More often than not, programmes designed by foundations endeavour to help young people develop themselves whilst providing them with the means to support themselves in the future. It’s about empowering new generations for the long term,” she said.

Data illustrates where some of the money is flowing to. For example, the *Coutts’ Million Dollars Donor Report 2016* said that 35 and 48 per cent of donations in the UK and US were made to improve higher education, respectively.

The sector is adapting with the influx of wealth, as well as the transfer of wealth to younger generations. Donors have also changed their beliefs and attitudes towards the sector, and according to Hirdman, they have become more professional than ever before.

“Today’s largest philanthropists feel the weight of the responsibility that comes with the privilege, and very often they see themselves as providers of seed capital, while at the same time remaining open for dialogue with local actors,” said Hirdman. “It’s not an old fashioned patronising approach, today the approach consists of listening and exchanging with communities. People want to learn. It is not always about telling others how they should do something. Philanthropists are more organised, professional and global than ever before. We also see a new type of donors with a more entrepreneurial background. They use their experience and connections to help solve global issues. It is very gratifying for these individuals to be able to use their wealth to give others similar opportunities to the ones they had. I believe this is one of the main motivators among today’s philanthropists who, rather than feeling guilty, would rather be engaged and provide solutions.”

FGM

One of the largest foundations created by the Fondation de Luxembourg is Fondation Espoir which was created in 2014 to contribute to the eradication of female genital mutilation in Ethiopia's most affected regions with a carefully managed programme. Donors gave €5 million over five years to help prevent FGM from happening and treat victims.

The director of Fondation de Luxembourg spoke about the issue, and how the foundation was created.

“Most people who come to us already know what they want to support, as was the case with Fondation Espoir,” said Hirdman. “The donors chose the FGM cause after reading a book written by a French gynaecologist, who came up with a technique to repair damages caused by this practice. The donors decided to take concrete action to treat women in two of Ethiopia’s most affected regions.”

Hirdman added: “They chose to focus on Ethiopia following the pledge of the Ethiopian Government to eradicate FGM by 2025. The support of public authorities gave the project the potential to have an even greater impact and our role was more to advise them on the approach and help them select the right partners to deliver results in the five-year timeframe they set themselves. Their objective is to simultaneously reduce the number of new cases and treat victims of female genital mutilation. After putting them in touch with experienced FGM professionals e.g. researchers, gynaecologists and UNICEF, they were able to recruit six gynaecologists who are based in the country and can now treat thousands of cases monthly.”

Since its existence, Fondation Espoir, in partnership with UNICEF, developed an information campaign on the danger of FGM, upped the prevention efforts by exchanging with community and religious leaders, recruited and trained health workers, invested in medical equipment and hired trained gynaecologists in regions which do not nearly have enough GPs.

Overall, 66 foundations have been created under the aegis of Fondation de Luxembourg and over 20 million has been distributed to support projects around the world.