The new charity

A new breed of philanthropists has arisen in the last decade, successful and often relatively young business people, who have amassed considerable wealth in the world of information technology and the internet. Nigel Ash discovers the nouveaux riches know everything about return on equity and now they want return on generosity.

The great philanthropists of the past, the Rockefellers, Carnegies, Gettys and Peabodys were titans of industry whose good works generally addressed the social needs of the societies in which they had made their fortunes. They built libraries, tenement blocks, orphanages, schools and hospitals.

The modern philanthropist is far less focused on these areas, though the Bill and Melinda Gates foundation is seeking to address gaps in the US education system. The focus is on the developing world, where poverty, disease and lack of education blight whole societies. But, instead of writing big cheques for charities (also known as non-governmental organisations - NGOs) covering these areas, the new entrepreneurial philanthropists are taking a hands-on approach to their giving. If they donate significant sums to an NGO, they want to see the results of their investment, an insistence that may not always sit easily with the way NGOs work.

The obvious alternative is to establish their own charitable foundation. In the US, as with all charitable giving, this scores well in tax terms. But, as a general rule, the super rich are likely to be beyond any obsession with fiscal incentives. Wealthy individuals in Europe, like Sir Tom Hunter and his wife Marion, have set up their foundations to give themselves absolute control over where and how their money is spent. Sir Tom boasts that he now divides his time equally between making money and giving it away.

Overheads

However, setting up your own vehicle to target and implement charitable works, especially over the horizon in the developing world, has disadvantages. It has to do its own research and its own implementation, and create its own controls. Big NGOs are often criticised for having high administrative overheads, but a stand-alone foundation does not benefit from the NGO's economies of scale. As a purely business proposition, the foundation needs to have a crystal clear focus to ensure that the 'outputs' are achieved.

As one philanthropic analyst told *Wealth Collection*: 'If you just form the foundation and invite applications for funding in your favoured area, you will receive a tidal wave of weird propositions. The cost of weeding out the rubbish and targeting your money where it is going to do the most good, can actually mean that you have less money when you finally lock onto a project.'

Philanthropic progression

There is another way. That is to employ a new breed of intermediaries that successful modern entrepreneurs would recognise as philanthropic investment bankers. One such organisation is Geneva Global, which spends part of its time researching and compiling data on philanthropic investment opportunities. The company stockpiles these for philanthropic clients to buy into. It offers transparent monitoring on the impact of the charitable investment and detailed reporting, which the generous entrepreneur ought to both recognise and appreciate.

Steve Beck, former CEO of Geneva Global, says 'One of the characteristics of philanthropy that is to some extent a constraint on the development of intermediaries, is that it is very individualistic. It is driven by people's values and beliefs and their particular life experience. That is hard to get a hold of.'

Yet Alan McCormick, Beck's successor at Geneva Global, says such aspirations can be met: 'There is a tiredness out there among our clients at the lack of transparency and accountability in the philanthropic market place, and there is a desire now to see the real effect of their giving.'

Social investment analysis

Geneva Global, says McCormick, not only originates deals: 'We also provide reporting and analysis on them and this is the heart of the investment demand for people to really have transparency and accountability around their giving. We have developed metrics to help understand the return on investment. When you invest in an equity, it is very clear what your returns are going to be. When you invest in the social arena, it's much more difficult. So we have been pioneering what we call the 'delta score', which seeks to measure the social return from investments and provide that to clients.'

But numbers and metrics, adds McCormick, only go so far: 'People still want the human story and contact with the projects they are investing in. So we also see a great deal of excitement from our clients about travelling to some of these communities and see the results of their giving.'

Individual empowerment

McCormick also points to a different philanthropic philosophy focusing on small, community-based projects. 'We believe that aid plays an important, but limited role in development,' he explains, 'and that the very best long-term solutions to poverty lie in creating an environment for local business and entrepreneurs to flourish. So we see our role as providing opportunities for communities to get on the first rung. We seek initiatives that empower individuals and help them to help themselves over the long-term.'

The bottom line

In its eight years of operations, Geneva Global has put its clients into projects worth $70 million. McCormick estimates that donors have already changed six million lives. But what does all this cost? Generally some 20% of the amount philanthropists invest. 'We often have to explain that, while this seems like a lot of money, if you are looking for high-value philanthropic investments, it does cost money, says McCormick. 'If you set up your own foundation you incur costs. If you give through larger organisations, you are paying significantly more for their overheads than you are through Geneva Global. ■

The violence and humanitarian crisis in Kenya has put charities on the frontline.

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ALAN MCCORMICK,
GENEVA GLOBAL

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