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Singapore: The New Philanthropic Hub

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SINGAPORE: THE NEW PHILANTHROPIC HUB?

With the recent implementation of greater accountability and fewer restrictions in the charity sector, there is now greater scope for Singapore to establish itself as an important regional philanthropic hub. Terry Alan Farris surveys the new landscape.



Philanthropy is not a new phenomenon. It has, however, received plenty of press coverage in recent years due to the increasing numbers of public figures who actively engage in altruistic activities intended to improve human welfare. It began with the mid-90s Jubilee 2000 – a worldwide campaign endorsed by U2 frontman and rock star Bono – that appealed to developed nations to help alleviate debt owed by third world countries. More recently, Bill and Melinda Gates, as well as Warren Buffet, have joined the growing number of philanthropists who donate significant amounts of their wealth to support their philanthropic endeavours.

The perception that only billionaires are capable of engaging in philanthropy is rapidly changing, with more and more businessmen and businesswomen contributing to philanthropic initiatives. The increasing popularity of philanthropy in the West has, in turn, led to a higher Asian participation in this activity. A recent survey published in March 2007 by Capgemini/Merrill Lynch Financial Advisors¹ found that high net-worth individuals in Asia dedicated a far greater portion of their portfolios (12 percent) to philanthropic causes compared to individuals from other regions around the world – North America (8 percent), Middle East (8 percent), Europe (5 percent) and Latin American (3 percent).

Inevitably, these increasing numbers have transformed the field of philanthropy globally, particularly in Asia. In recent years, Asian philanthropists have become increasingly

sophisticated in their giving. They focus on strategy and comparative advantage, demand effectiveness and impact measurement, address issues from a regional and global perspective and apply business models to their philanthropic initiatives. Most notably, they set up charitable structures dedicated to their philanthropic ambitions.

The Changing Face Of Asian Philanthropy

What's more, the face of philanthropy has shifted from a more traditional transactional approach that involves simply writing a cheque, to a more entrepreneurial approach where venture capital principles are applied. Ashoka defines venture philanthropy as the application of venture capital principles and practice in the field of philanthropy. It is an approach to philanthropy that emphasises capacity building of organisations and the belief that grants to non-profit groups really represent a form of investment in an entity. In the past, philanthropy was typically limited to giving financial support to benefit local communities or home towns associated with the philanthropists, who usually kept quiet about their generosity and followed no systematic approach in giving away part of their wealth.

The new breed of philanthropists approaches the matter with a different mindset, pursuing an individualised charitable agenda on a global scale that requires increased involvement and strategic planning. The figure below captures the various elements contributing to this new model of strategic philanthropy.

The Frame of Strategic Philanthropy



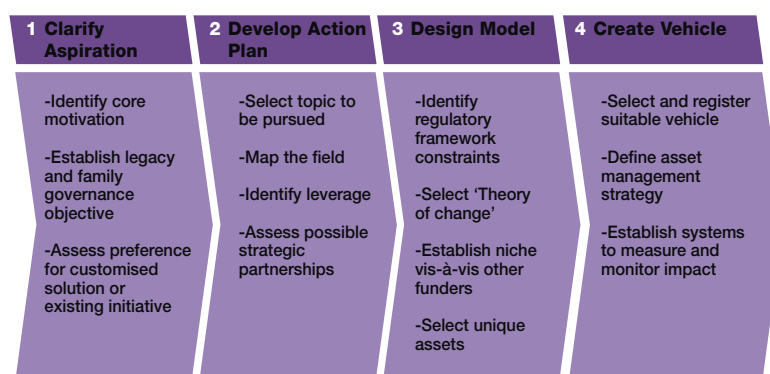
Source: UBS Philanthropy Services

In order to gain the confidence of donors, philanthropic organisations must acknowledge the need for more transparency and effectiveness which is calculated by 'impact measurement' and 'comparative advantage'. Transparency helps

philanthropists evaluate various areas of concern and pursue areas of interest where their contributions are bound to make a significant impact.

Increasing numbers of philanthropists are relying on professional expertise to assist in areas ranging from the evaluation of suitable philanthropy projects to the development of appropriate asset management strategies. In response to this, financial institutions have developed programmes to assist with the navigation of complex areas related to venture philanthropy – an approach to philanthropy that stresses capacity building of organisations and, as mentioned earlier, the belief that capital grants to non-profit groups embody a form of investment in an entity.

The Structured Advisory Approach to Philanthropy



Source: UBS Philanthropy Services

Governmental Assistance And Legislative Changes

The Singaporean government has also recognised these changes in the philanthropic landscape and begun consultation with key stakeholder groups from the financial, charitable and foundation sectors to understand how these changes would affect the philanthropy scene in Singapore and across the region. In its 2007 Budget², the government announced changes aimed at establishing Singapore as a global hub for philanthropic organisations.

Consequently, the office of the Commissioner of Charities has developed regulations for charities, grantmakers and foreign charitable purpose trusts. Because they facilitate greater accountability, transparency, and stronger governance of charities, these changes will have a positive impact on key stakeholder groups. For local and foreign grantmakers, the new rules provide a more efficient and effective framework within which they can set up and run their philanthropic work from Singapore.

An effective corporate philanthropy programme enhances a company's reputation and branding, and the overall perception of customers and investors.

For the Singaporean philanthropists who have traditionally supported projects overseas, the former constraints of the 80/20 rule had forced them to set up structures outside of Singapore to support their philanthropic initiatives in other countries. According to the 80/20 rule, organisations that raised resources for foreign charitable causes were to allocate at least 80 percent of their funds to benefit local Singaporean communities. With the abolishment of the 80/20 rule in 2007, along with other adjustments to rules and regulations such as changes to the tax treatment of donations, Singaporean philanthropists are now able to consolidate their philanthropic activities under one structure which can be based in Singapore, and which support projects in Singapore and throughout the region.

Corporate Philanthropy And Its Impact

For multinational and Singaporean listed companies, a programme for corporate social responsibility is a must. Many consumers see philanthropy as a moral obligation, almost a 'license' for a company to operate. An effective corporate philanthropy programme enhances a company's reputation and branding as well as the overall perception of customers and investors. The Body Shop, for instance, built its reputation by building partnerships with small entrepreneurs and posted clear advocacy campaigns in all of its stores.

As Asia grows in importance as a region through the activities of local philanthropists and continues to have the greatest needs arising from poverty, pollution and lower healthcare standards, more and more international non-governmental organisations (NGOs) are looking closely at the region as an ideal location in which to set up their regional headquarters.

Until recently, charities and NGOs have overlooked Singapore because of its restrictive charity rules and regulations. Instead, these NGOs have opted to set up their regional headquarters in places like Hong Kong, where they are subject to less restrictive policies. With the new legislative changes coming into effect in Singapore, a greater number of NGOs are beginning to reassess Singapore. In particular, they are impressed by the greater professionalism

evident in the philanthropic sector, and by the fact that they are now more able to conduct a rigorous analysis on how charities spend their money, which in turn generates demands for more convincing propositions from charities to persuade individuals and institutions to fund their activities.

In this changing landscape, companies will have a greater need for philanthropic structures based in Singapore that will allow them to support their regional corporate social responsibility initiatives throughout the region from a secure home-base.

For local charities, the new changes will create several key opportunities. First, with a greater focus on governance, accountability and transparency, charities can recruit stronger board members and increase the level of volunteerism and fundraising. Secondly, they are now free to broaden their efforts to support programmes and projects in other countries and possibly create 'franchises' in the region, which can open the door to international funding. And with a greater number of international philanthropic experts now based in Singapore, the opportunity to collaborate, partner and create synergies with one another will lead to new and exciting possibilities.

The Singaporean philanthropic and charity sector has been on a continuous journey. As society changes and the region grows, so should the sector. Developing and promoting Singapore as a philanthropic hub starts with creating infrastructure that meets the needs and demands of the key segments. In its recent legislative changes, the Singaporean government has provided the sector with an encouraging push. But, as in any journey, it will take time for these changes to create an impact. Indeed, it is up to the key stakeholder groups to use this opportunity to further their philanthropic initiatives that can benefit Singapore, the region and, perhaps, even the world. □

¹ Capgemini & Merrill Lynch Financial Advisors, 2007 World Wealth Report <<http://www.ml.com/media/79882.pdf>>

² "Singapore Budget 2007", Ministry of Finance <http://www.mof.gov.sg/budget_2007/index.html>



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