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## FT REPORT – CORPORATE CITIZENSHIP AND PHILANTHROPY:

THE BUSINESS OF PHILANTHROPY

### Intermediaries have the skill to help give

Most banks are keen to hold on to their clients' money in order to generate fees. Mark Evans instead devises ways to help his customers give theirs away.

When he joined Coutts in London two years ago as a private banker, he exploited a gap in the UK market for philanthropy services that his previous employers at Citigroup and JP Morgan had met in the US. In mainland Europe, its chief proponent was UBS in Switzerland.

All of these institutions – and a growing number today in the UK such as Barclays – are developing philanthropy practices.

"We recognised that there was a demand," says Mr Evans. "The wealthy are getting wealthier, people are living longer, and they see the importance of a sense of purpose. They are thinking twice about giving everything to their children, and are realising they get tremendous enjoyment from giving money away while they are alive."

The array and diversity of intermediaries to assist donors in making their choices has mushroomed.

Some, like the private banks and some asset management groups, offer philanthropy alongside other more mainstream financial services, reflecting a growing interest by the wealthy in giving money away in more sophisticated ways.

A few of the wealthiest philanthropists may create their own free-standing foundations. But for most donors, there is a growing range of bespoke services they can use. The Philanthropic Initiative in Boston says it has helped design programmes and direct \$1bn over the past 18 years from companies and individual donors. "Very large amounts of money can overwhelm and it's hard to spend smartly," says Joanne Duhl, vice-president.

Melissa Berman, head of Rockefeller Philanthropy Advisers, which has 40 staff in offices in New York, San Francisco and California, stresses the benefits of seeking external help, which has allowed her group to recruit 150 clients and steer \$135m in grants.

"We can help with site visits, identify appropriate grantees and structure grant agreements," she says. "Donors may want a buffer between them and a non-profit to ask the difficult questions."

If some consultancies advise and supervise, a growing number of "venture philanthropy" groups are even more actively involved in making donations work. They have struck a particular chord with the newer generation of wealthy donors who have made money and are keen to be involved in spending it.

Mario Morino, who built his fortune in computer software, launched Venture Philanthropy Partners in 2000 and has recruited 29 wealthy families, who contributed \$32m for a first "fund". That provides 3-5 years in

financial support to 12 groups working on children and community learning in the Washington DC area. He says he has already raised \$30m towards a \$50m second fund.

"If 10 per cent of philanthropic dollars flowed in a performance-based way, we would be able to scale up," says Vanessa Kirsch, founder of New Profit in Boston, which has placed \$36m of donor investors' funds into 17 organisations, helping build success stories such as Teach for America.

But while much of the innovation among intermediaries in recent years has helped the wealthy, the vast majority of charitable contributions come instead from individuals with far more modest means.

That was a motivation for Fred Mulder, a Canadian art dealer based in London, to launch the Funding Network in 2002, as a gathering point and "auction" for worthy causes. "We're the speed-dating of philanthropy," he says.

The group's 150 members pay a modest fee and between them nominate a handful of organisations to each meeting. After each cause has made a six-minute presentation and answered questions for a further six, those attending pledge publicly or anonymously £100 or more each. It has raised £1.5m since 2002.

A remaining challenge for philanthropists of all sizes who want to make their own informed decisions on giving is the paucity of rigorous data.

That was one reason why two Goldman Sachs bankers launched New Philanthropy Capital in the UK. Aside from providing tailored advice to individual donors, it distributes investment banking-style research reports for free, helping to analyse subjects such as cancer, education and mental health.

One challenge is that, in seeking to spread its ideas widely by making the reports freely available, the organisation estimates that it only covers half its costs through fees. Its trustees provide the remainder. Similar "underwriting" applies at many of the venture philanthropy funds – so, ironically, many of the best non-profit advisers still struggle to make a profit themselves.

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