

IPS Roundtable on Philanthropy

**29 June 2010 Conference Room, Oei Tiong Ham Building
National University of Singapore**

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This is a summary of the proceedings at the IPS Roundtable on Philanthropy held on 29 June 2010. In opening the session, Director IPS, Ambassador Ong Keng Yong said that the roundtable was organised to look at ways to encourage philanthropy. Another objective was to provide a platform through which various stakeholders could network with each other. The session would focus on financial giving to primarily local causes but could include overseas ones too, he said. The Roundtable would discuss what areas of public policy could be reviewed and revised to first, enlarge the pool of individual givers in Singapore; second, persuade corporate organisations to institutionalise their giving; and third, promote more strategic and sustained giving among philanthropic foundations and grantmakers. There were four presentations with clarifications following each, and subsequently an open discussion.

Presentation by Mr Stanley Tan

Mr Stanley Tan, Chairman of the National Volunteer and Philanthropy Centre (NVPC) and the Community Foundation of Singapore, gave a brief overview of Singapore's philanthropic sector. Philanthropic giving in Singapore had been, on the whole, adequate thus far, he said. Although there had been some erosion of the public's trust in the charity sector because of governance scandals in a few organisations, the record of philanthropic giving was still good. Hence, it was very much alive and most effective when it was spontaneous, but Mr Tan felt that Singaporeans had the capacity to do more.

To reflect today's needs, Mr Tan emphasised the need for the philanthropic sector to move to the next stage of encouraging organised giving. Even as philanthropy was fundamentally an altruistic behaviour, it was helpful to have policy measures (such as tax exemptions) that could incentivise giving, he said. Going forward, it would be important to make philanthropy a more rewarding experience for donors and look at how it could be directed to real and

urgent needs rather than just popular causes. Mr Tan also said that the NVPC had been trying to create peer-to-peer “giving circles”.

According to Mr Tan, the philanthropic sector faced several challenges: one of the biggest struggles was the fact that non-profit organisations (NPOs) were perceived as playing a supporting role to the government. In turn, the public expected the government to play a greater role when needs arose. The approach he would recommend therefore was to foster a greater sense of ownership and responsibility for meeting some of the social needs within the philanthropic sector. At the same time, charities also needed to find ways to encourage donors to foot their operational costs and keep them viable, rather than to just support their own programmes, he said.

During the discussion following his presentation, Mr Tan said that he felt the joy of taking the initiative to contribute to the community had weakened over time. The onus was on the people sector to reclaim the space, rather than support a culture of just turning to the government to identify and deal with the needs of the social sector. One participant commented that there were three ways to view the government’s relationship with the social sector. Coming from a comparative perspective, the first way would be through a partnership (friend) model; the second, a competitive (foe) relationship; and third, a contractor (filler) model, where the government would pay social organisations to deliver the necessary services based on its definition of societal needs.

The partnership model was most commonly observed in the United States and the United Kingdom where the government worked alongside the people sector to meet the needs of the community. The competition model was more commonly witnessed in communist states that were generally not welcoming of civic action. Some participants saw that the “Many Helping Hands” approach in Singapore typified the filler-based approach. A member of the IPS team said that while the government had done a good job in addressing many issues through its social policies, there would inevitably be gaps that even the government sector thought would be better filled by the people sector. However, it would be interesting to explore if the current “Many Helping Hands” arrangement actually “crowded out” the people sector in terms of firstly, the people sector setting its own directions and agenda, and secondly, the public developing some sense of responsibility for social issues in Singapore today, the participant said.

A participant from an NPO highlighted how certain tax policies could deter giving. She cited how an individual who purchased a work of art from a fund-raising auction was asked to pay

Goods and Services Tax on its reserve value. She asserted that there should not be a tax on such altruistic acts and thus hoped that this matter could be examined in the future.

Presentation by Mr Ngiam Shih Chun

Mr Ngiam Shih Chun, Director of the Social Planning Unit at the Ministry of Community Development, Youth and Sports (MCYS) presented his Ministry's perspective on the role of philanthropic giving.

In response to the earlier point on whether the government "crowded out" the people sector, Mr Ngiam said that the reality was that the social services sector was unevenly developed. The government had partnered organisations in developed areas of social service and tried to build-up organisations in areas which were less developed. The government's aim was to create a caring and inclusive society with the "Many Helping Hands" approach. Mr Ngiam also noted that globalisation and the Internet had contributed to a disengaged citizenry. Income inequality was on the rise and this would pose a threat to social cohesion in the long term, he added. The hope was that citizens would give of their time, talent and finances to social causes which would, in turn, foster active citizenship and social cohesion.

The government endeavoured to bring its vision of "a giving nation" to fruition by trying to increase the average amount of giving from the median level of \$80 per year (2008), he said. This would be accomplished through the encouragement of informed and strategic giving as less than a quarter of donors contributed on a regular basis or decided in advance before donating. The fulfilment of this aim was attempted in four ways: first, by making giving more attractive with tax incentives (double tax deduction in 2002 which was increased to rate of 2.5 times in 2009 and 2010) and matching grants; second, by strengthening governance standards of charities to increase public confidence in them; third, by introducing a range of giving mechanisms to suit different patterns and inclinations in philanthropy; and fourth, by thinking about developing forms of information and charity evaluation systems to provide the public with the wherewithal to identify needs and worthy channels of social service to support.

A key point that emerged during the discussion, related to the possibility of introducing tax deductions for donations to overseas causes. One of the problems that organisations faced especially from the corporate sector was that funds channelled towards overseas causes were not tax-deductible. One participant thought it seemed unlikely that the rule would change in the near future as the 80/20 rule (where previously 80% of funds raised by

charities had to be used locally) had only recently been amended to allow for overseas giving and it would be difficult to propose more proactive measures so soon. The appeal was made nevertheless to find some way to incentivise overseas giving. One participant commented that NVPC's Individual Giving Survey found that those who gave overseas tended to give about three times more locally, compared to those who did not donate to overseas causes. Hence, these two forms of giving were not necessarily mutually exclusive, the participant said.

It was also mentioned that most of the incentives to giving were currently tied to tax deductions on income. To overcome this issue, participants suggested looking at other ways to incentivise donations from those who were not working (e.g. wealthy retirees). This could be in the form of matching grants from the government or deductions on other forms of taxes, such as property.

Presentation by Fang Ai Lian

Mrs Fang Ai Lian, Chairman of Charity Council and Great Eastern Holdings Ltd, provided an overview of the philanthropic sector from the perspectives of both charities and corporate organisations.

According to Mrs Fang, by means of a four-year comparison, tax deductible donations had increased 52 per cent to an average of \$670 million per year between 2005-2008, up from \$440 million per year between 2001-2004. Of the total \$687 million tax deductible donations in 2009, 35 per cent came from individuals, while 65 per cent originated from corporate sources, she said.

Mrs Fang spoke of some common difficulties that charity organisations faced, and of how they might want the culture of philanthropy to evolve. Charity organisations wanted strong and consistent support from individual and corporate givers. Many charity organisations led a hand-to-mouth existence, worrying about the sustainability of their programmes at the end of each year. They also wished to receive greater recognition for their efforts, she said. Yet, Mrs Fang emphasised that charities also had to be proactive and innovative in sourcing for financial support and as well as develop the culture of philanthropy among young people.

In her presentation, Mrs Fang stressed that an important piece of the puzzle in promoting philanthropy was to respond to the public's call for greater transparency and better governance in the sector. Charities had to take a positive attitude towards improving

governance standards and transparency, she said. The development of charity governance awards could help encourage charities utilise and emulate best practices. Such awards would also raise the public profile of charities and help draw financial and non-financial support from individuals and corporate organisations. Mrs Fang noted that in the Individual Giving Survey which was conducted by NVPC, two-thirds of donor respondents indicated that the provision of more information on how donations were used would help increase donation amounts.

Corporate organisations were notably more results-oriented in their approach to philanthropy, noted Mrs Fang. This was characterised by the demand for greater accountability for results and greater engagement with receiving organisations, the need for alignment between the core values of the company and the causes supported, as well as the desire to make a difference in society. Mrs Fang then spoke about how companies were increasingly adopting the corporate social responsibility (CSR) outlook and the importance of framing the message of philanthropy within this outlook.

There was potential for a win-win partnership between corporate givers and charities. Mrs Fang said that corporate givers acknowledge that giving alone is not enough. This outlook would complement charities which took the perspective of not being interested in a purely transactional relationship. Corporate givers also wanted greater engagement whilst such charities wanted their corporate partners to be passionate about their cause. As corporate givers were interested in the creation of a positive public image, Mrs Fang urged charities to tap on co-branding or publicity possibilities to increase the public's awareness of their mission and their donor's support of their cause.

A participant pointed out that income tax deductions had different bearings on individual and corporate giving. From personal observations, small individual donors were not concerned with tax deductions whilst rich individual donors were, the participant said. Conversely, the participant noted that small corporate donors were concerned with tax deductions whilst issues such as the alignment of values appeared to matter more to large corporate donors.

Participants expressed interest in receiving more detailed statistics on the trends in philanthropy since this was not readily available. A participant also raised a query on the possibility of attaining an accurate figure on the quantum of non tax-deductible giving, so as to gain a more holistic picture of the true level of giving in Singapore.

Presentation by Benedict Cheong

Mr Benedict Cheong, Chief Executive Officer of Temasek Foundation presented his views on the objectives of corporate foundations, foundation grant-making and philanthropy in Singapore. Broadly, Mr Cheong expressed that it was essential for NPOs to understand that corporate foundations fully expected their philanthropic contributions to have a positive impact on their parent companies. Committing significant resources to programmes and causes over a considerable period of time, these corporate foundations certainly played a significant role within the philanthropic sector.

Mr Cheong went on to outline key best practices from the sub-sector of grantmakers. Firstly, a foundation should have a well-defined purpose, objectives and focus of giving that would guide decision-making, the intended outcomes, grant types and the time frame involved. Second, there should also be a purposeful system of monitoring grants which should cover aspects of governance, compliance, financial management, approval, disbursement and human resource. Third, the communication and branding strategy should feature a holistic brand identity and image, with clear main messages and target audiences amongst other measures, he said.

He added that the philanthropic sector in Singapore could benefit from three broad areas of improvement. First, boosting informed giving among individuals, corporate donors, grant-makers, and foundations by providing useful information on NPOs, enabling better informed donor decisions; second, creating a network or association of donors to facilitate the exchange of ideas and learning amongst donors; third, providing more training for donors in effective giving. In the case of receiving organisations, the governance and management of NPOs could be boosted with a definition of roles/core competencies and the enhancement of training and development programmes for NPO board members and staff. More programmes on research, benchmarking and advocacy should be made available, suggested Mr Cheong. The philanthropic sector would also stand to gain from more targeted regulations and an enabling environment. Schemes such as matching grants and tax incentives could be used to increase donor-giving to NPO professional development, training and institutional capacity building. Furthermore, to attract talent to the sector, Mr Cheong suggested that salaries of NPO management executives be benchmarked through government co-funding levels.

In the following discussion, a participant commented that one common practice of international charities was first to calculate an estimated cost of a project and add on a

further 10 to 15 per cent of that sum to cover administration costs. This would then constitute the final sum presented to funders. Whilst this approach involved more steps in the management of accounts, it meant that charities would not have to seek funding for their day-to-day operating costs separately. This practice could be shared with the voluntary welfare and charity sector to help them find ways to achieve financial sustainability.

Open Discussion

The chairperson of the roundtable invited participants to raise further suggestions on how the practices within the philanthropic sector could be improved.

- *Informed Giving*

Informed giving was a key area of discussion. The general consensus was that the onus was on charities and other social organisations to raise the standards of the stewardship of donations to enhance the level of trust donors have with them, as donors were interested in how their contributions were utilised. The necessity of tailoring the information given out based on the profile of donors was also discussed.

A participant commented that it was difficult for charities and other social organisations to cultivate a good relationship with donors. This however, had to begin with the identification of a common cause both sides could rally around. Participants from foundations emphasised that it was necessary for these organisations, in the least, to articulate their needs clearly and understand the requirements of grantmakers as there usually was no lack of giving where the cause was clearly expressed.

Informed giving also involved donor training and education to clue donors in on the practices and realities of the local philanthropic sector. Some participants felt Mr Cheong's proposal of training donors was a good one, but cautioned that donors should be advised to keep their demands pragmatic. For instance, it would not be realistic to expect a customised donor report for small donations. In addition, there were donors who may not want to spend too much time being trained to be better givers.

- *Capacity Development*

It was also important to develop the broader eco-system to strengthen the processes of intermediary organisations, philanthropic organisations, and charities on the receiving end.

The Charity Council had a fund that could be tapped for this, but due to the varying needs of different stakeholders, it was not easy to identify core competencies that were needed in the sector.

Perhaps some form of social impact assessment could be used to provide feedback to donors and lend focus to the management of activities in charities and other social organisations, a participant said. A participant cautioned however that the relationship between good governance and results was not straightforward as results within the social services sector were usually not clear-cut. Another participant questioned if donors even understood the need for social impact assessment in the first place.

- *Other Points*

There was room for greater collaboration and communication among various stakeholders to maximise the impact of their contributions. The challenge was to find appropriate platforms to do so, said participants.

Comments on the need for portals and websites of charities and social organisations to enhance their outreach efforts were also exchanged. It was also agreed that donors would be better able to identify with the causes of organisations should examples of human interest stories be shared.

Going forward, participants also conceded that it was important to look at increasing the level of donations as the social sector was equally affected by inflation and other rising costs. Furthermore, a long term plan needs to be propagated among the younger generation, in order for the culture of giving to be truly entrenched in the Singaporean way of life.

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