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As the pace of change in the global economy continues to accelerate, new solutions to some of the world’s most intractable problems are emerging. One important trend is the evolution of philanthropy, which used to largely take the form of passive donations to charities and foundations. Today, a new generation of entrepreneurs in both the developed and developing worlds is revolutionising approaches to tackling social issues such as healthcare, under-development and social exclusion—bringing the lessons they have learnt from business to finding innovative solutions that can quickly make an impact globally.

In this issue of Pictet Report, we analyse these developments with the help of an expert at INSEAD, the leading international business school, and the director of a London-based philanthropy think-tank. We profile three philanthropists whose determination to find solutions to difficult problems reflects the new paradigms in philanthropy. We show how a Belgian foundation is helping hundreds of individual philanthropists—many of modest means—to realise their dreams. And we conclude with the thoughts of a UK entrepreneur who believes that a new asset class can be created to provide social entrepreneurs with finance.

One common factor shared by all the philanthropists we interviewed was their passion for what they were doing, and the enjoyment they derived from their activities. We found the same responses in the art world when we met two entrepreneurial individuals who have been involved in the creation and management of world-class family collections of modern art. Their enthusiasm for the masterpieces they have collected—and for the artists who created them—was truly inspiring.

Finally, one of our partners sets out the attractions of Switzerland as a home for foundations, especially those that are international or global in scope. Helping our clients develop philanthropic activities during their lifetimes and beyond has been part of Pictet’s mission for over 200 years. We hope you will find this report inspiring if you are thinking about your own personal contribution in society.

Philippe Bertherat
Partner, Pictet & Cie
September 2012
New forms of philanthropy bring focus to solving global problems

Today’s philanthropists increasingly employ business techniques to find solutions to global issues that maximise impact and can be scaled up faster.

Philanthropy is changing fast, with several trends clearly visible. The common factor is the extent to which philanthropists employ techniques from business, particularly the financial sector, to make a much greater impact on intractable problems around the world.

One trend is strategic philanthropy, which goes beyond giving to tackling problems in a coordinated way on a global scale. Pioneered by US philanthropic institutions such as the Rockefeller Foundation and the Bill & Melinda Gates Foundation, it adopts a strategic focus on the root causes of issues such as HIV, malaria and educational deprivation, working with partners through large-scale interventions to address them. In essence, their approach aims to change the system, not just provide remedies for the symptoms.

A second trend is venture philanthropy, with draws on the techniques of venture capital and private equity. Money is given in selective ways to organisations that have the potential to generate sustainable impact which can be robustly measured. And venture philanthropists also have teams that can advise the recipients and help them build capacity to scale up their operations. Although they are not looking for a financial return, they approach philanthropy as an investor would approach an investment to create a viable organisation.

A great example of impact investing is LifeSpring Hospitals in India, which focuses on maternity care, to save the lives of mothers and babies at the time of birth. With the backing of a US impact investment fund and a public healthcare organisation, an entrepreneur founded it to provide high quality care at around 40 per cent of the cost of conventional hospitals. Run as a for-profit organisation it makes a small profit and is now expanding from two hospitals in India to a national network of 18.

One final trend in the business sector is social business investment by companies, either as part of their corporate social responsibility work, or to complement normal business activities. For example, construction companies build affordable housing and power companies provide access to energy. Food producers such
as Nestlé and Unilever work to create sustainable supply chains and to make foodstuffs available to disadvantaged communities. In many cases, they are effectively looking for entrepreneurs on the ground that they can partner with, and there may often be benefits for their business activities.

One big objective of these new trends in philanthropy is to create scaleability

One big objective of these new trends in philanthropy is to create scaleability—to take successful solutions from local impact to national or global reach. Charities are often less concerned about this, preferring to focus on communities and expand the support they give them in multiple ways. And in conventional business, the priority for companies is not just to devise new products but to maintain control of them as they take their organisations global.

But social entrepreneurs care about impact rather than organisation, so their aim is to get their solutions adopted fast over as wide a canvas as possible. Microfinance, for example, started in Bangladesh, moved on to Pakistan and India and is now all over the world—even in Western economies. And the US Teach For America scheme which attracts top graduates to under-achieving schools has spread to many other countries. Organisations have emerged to help social entrepreneurs scale up, such as Ashoka, which over the last 20 years has created a global network to support such activity.

Open source approaches can also help in disseminating solutions created by social entrepreneurs. An example is Wikipedia, which employs very few staff but through offering free access has harnessed the knowledge of users to create a global encyclopedia. It is a very effective model that has made a huge impact on society, and social businesses can also mirror that.

For example, Kiva has created an online network to bring philanthropic lenders together with micro-entrepreneurs. It partners with microfinance institutions around the world as 'Field Partners' who link in those needing small amounts of credit and then monitor the loans locally. Donors can browse the Kiva website to see who needs loans and choose an applicant to support by lending as little as $25 or the entire loan requested—usually a few hundred dollars. Once repaid, lenders can re-lend their money, donate it to Kiva to cover its operating expenses or withdraw their funds.

There are some differences in how philanthropy is evolving in different regions. In the US, impact investment has a strong hold and is creating an infrastructure that can measure impact and report on it. In Europe, venture philanthropy and social entrepreneurship are growing faster, taking over activities that governments do not do well—in effect, carrying out research and development for the public sector, which can then take up the new solutions.

The best social entrepreneurs focus on problems that have been neglected and find innovative solutions by engaging with clients. They empower those clients by working collaboratively with them so that they take ownership, which also lowers the cost. And they disseminate the solution to governments, companies or the social sector to mainstream them. The new philanthropists can play an essential role in their success by applying a strategic and impact orientation to their donations.

Filipe Santos is Associate Professor of Entrepreneurship at INSEAD, academic director of the INSEAD Social Entrepreneurship Initiative and director of the Rudolf and Valeria Maag INSEAD Centre for Entrepreneurship. His research lies at the intersection of strategy, organisation theory and entrepreneurship, and his current focus is the field of social entrepreneurship and social innovation. He is also interested in the growth and scaling-up processes of new ventures in order to maximise their economic and social impact.

For more information, visit www.insead.edu
For Thomas Neirynck, his collection of around 1,000 paintings of abstract art from the second half of the 20th century was the great passion of his life. On average, he had bought two paintings each month, mostly by the CoBrA movement—a group of painters based in Copenhagen, Brussels and Amsterdam. His great joy in life was his friendship with many of the artists whose work he collected, often supporting them at times when they were facing difficult periods.

His family did not share his passion, but he wanted to ensure that the collection was not broken up so that the next generation could learn about the CoBrA movement. Since the collection represented a large part of what he owned, he faced a problem: how could his son inherit his share of the family wealth? So he turned to the King Baudouin Foundation in Brussels, an independent institution whose Centre for Philanthropy has helped more than 450 donors achieve their philanthropic objectives in efficient and sustainable ways.

‘His collection was his life, and it was important for him that it should be preserved in an accessible way that reflected the history and philosophy behind it,’ says Anne De Breuck, the Foundation’s consultant who specialises in advising collectors on cultural heritage projects. ‘It took around five or six years to find the right solution. We reached an agreement with the Beaux-Arts museum in Mons to take on the collection, organising exhibitions.'
each year to showcase its paintings and review their significance—preserving it as a living thing.’

Thomas Neirynck, who died in 2010, chose around 700 works for the bequest, and left the rest to his son. ‘It was a difficult decision to give away his collection, but once it was done, the weight of preserving it for the future was lifted,’ adds Anne De Breuck. ‘And his foundation—with a member or representative of his family on its board—will be preserved forever under the umbrella of the King Baudouin Foundation.’

The first question that potential donors are asked is why they want to create a foundation

The Foundation was created in 1976 to mark the first 25 years on the throne of King Baudouin, a much-loved monarch whose reign had started in the very difficult circumstances following the Second World War. After 25 years of peace and prosperity, the country wanted to present him with something special, and rather than a picture or monument, the decision was taken to create a politically and financially independent foundation to improve life in Belgium.

‘Today we are the most important foundation in the country,’ says Dominique Allard, its Director. ‘Our work covers a range of spheres, including science, society and culture—everything except political and religious matters. We have our own capital and receive donations to supplement it. Today, we work around 10 priority themes, not only at home, but also in Europe and further afield.

‘In the beginning, it was not clear that the King Baudouin Foundation would exist for the long term. The initial funds came from a collection around the country and the board wanted to use it quickly. But as demands grew, the board realised it needed to continue its work, and after ten years it decided to invest in philanthropy. With the King’s name, we could open a lot of doors, and we had specialist experts in many relevant subjects. The National Lottery told us that there was a need to provide structures for individual donors, so we created a centre for philanthropy which has become our most important activity.'
“Today we have a mosaic of individual foundations managed by us, each dealing with one donor, with its own endowment, objectives and decision-making processes. There are now more than 450, and the reason for this success is that we put the donor at the centre of our work. We see ourselves as a meeting point between the donor and the public interest, helping donors have the most impact where they want to make it.”

“We work with them to help them make a choice relevant to their experience and way of life”

The first question that potential donors are asked is why they want to create a foundation—what their vision is. Once the King Baudouin Foundation understands the donor’s passion and what they want to achieve, it finds trustworthy experts to help them devise the programme. The Foundation is responsible for the management of the endowments, in partnership with the banks that the donors trust. And when the donor eventually dies, the Foundation puts the agreed plans into action.

‘Managing foundations is an enduring job,’ says Dominique Allard. ‘We are there forever. And we are unique in not concentrating only on the wealthiest in society—we support small foundations. People at the end of their lives who own a home and some savings can be philanthropists and make an impact on society, even if it is a small one.’

The 75 employees working in an elegant building behind the Royal Palace are supported by a network of almost 2,000 volunteers. The Foundation manages an asset portfolio which was worth €344 million in 2011, when it spent €23.1 million to support 239 individuals and 1,264 organisations. With an annual grant from the National Lottery, gifts and legacies, business contributions and donations and bequests through the centre for philanthropy, its income in 2011 was more than €74 million.

Among the 50 heritage funds in its mosaic, there are more than just bequests of paintings. One fund has the objective of preserving a unique collection of book bindings from the oldest to the most recent times, assembled by
Michel Wittock who wanted it to be transmitted to future generations. Through a deal with the family, the core of the collection—the Bibliotheca Wittockiana—is protected forever by the Foundation, while the rest of the collection will provide a financial inheritance for the five children.

Another recent heritage acquisition by the Foundation is Le Trésoir du Prieuré d’Oignies, a collection of religious artworks made by a single workshop in the 13th century and now owned by the Convent of the Sisters of Our Lady in Namur. This immaculately preserved treasure trove, which was hidden during the sacking of the Priory after the French Revolution, is valued at €115 million. ‘The Sisters saw us as the only institution that could be trusted over the long term—as many other collectors do,’ says Dominique Allard. ‘It remains in Namur in a treasury room which we built to display it securely.’ Among non-heritage funds, there are foundations that support university research, such as scientific projects and prizes. In some cases, there is a danger of duplication, says Dominique Allard, but he is adamant that it is the donor’s right to create a foundation and decide what it should do. The King Baudouin Foundation will help the donor to meet other donors, perhaps to join forces with them or to make sure their objectives can make distinctive impacts. But, he stresses, the objective of the fund is always the donor’s decision.

How does the King Baudouin Foundation deal with people who want to set up a foundation, but do not know what they want to do with the endowment? ‘We work with them to help them make a choice relevant to their experience and way of life, so they can create something that belongs to them.’

‘When people are the end of their journey, they reach a cliff with their luggage which contains their memories, their families and their wealth—and they must leave their luggage behind. We have to have a good conversation with them at the edge of the cliff to find out what they want to do with their luggage. That’s a very important moment: first, we have to give hope to them that their luggage will be used as they want and usefully; and second, we have a duty to society to ensure that the resources made available are used for important matters.’

For more information, visit www.kbs-frb.be

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Priority themes of the King Baudouin Foundation

| Democracy in Belgium | Leadership |
| Democracy in the Balkans | Local engagement |
| Development | Migration |
| Health | Philanthropy |
| Heritage | Poverty and social justice |

Dominique Allard’s approach when asked for advice on creating a foundation

Tell us more. At the first meeting, we will not try to make firm decisions. We will listen to you to understand how you see society and what your passion in life is. Our job is to find about your centre of interest in life.

Think about what you can create to reach your goals. Is it an independent foundation, a family fund within the King Baudouin Foundation, or something else. Is it in Belgium or another country?

Then we will explore the options. In some cases, they are quite straightforward. But in many cases it could take quite some time—looking into the issue in depth and the possible solutions.

We want you to make the decisions at every stage in the process. But we want you to feel that you have a trusted partner who can help in finding an answer to your search.

We will take care of all the details in establishing the project.
And we promise you continuity in supporting your foundation in the future.
The art dealer and collector

Helly Nahmad

The London-based gallery owner, a member of the renowned art-dealing family, explains what brought him into the business and the lessons he learnt from last year’s first ever public exhibition in Zurich of paintings from the family’s extensive collection of modern art.

The Nahmad family is one of the world’s most powerful art-dealing businesses, and also owns an incredible collection of more than 3,000 modern works of art. The collection includes around 200 Picasso oil paintings, the most important private collection outside the Picasso family, as well as masterpieces by Renoir, Monet, Matisse, Kandinsky, Modigliani, Miró, Magritte, Juan Gris and many others. Yet until last year, the collection, which is mostly hidden away in an art storage facility in Geneva, had never been exhibited publicly.

So the exhibition at the Kunsthau in Zurich which opened in October caused quite a stir in the art world. Curated by the museum’s director Christoph Becker, the 100 works on display included Picasso’s Harlequin with Flowers, painted in the 1920s and not seen publicly for decades. For Helly Nahmad, who runs the family’s London gallery and helped select the paintings, this was a revelatory event.

‘For us, the exhibition was an opportunity to under-
stand the collection—to see those paintings together in a gallery and to learn more about them. The paintings deserve to be seen and not just kept in the dark, and the exhibition gave people an opportunity to see them. And we ourselves had never seen them on display.’

‘Picasso and Kahnweiler wanted to keep prices low to avoid speculation’

The Nahmad family’s art-dealing began in Milan in the 1950s, following the arrival of Hillel Nahmad and his sons Joseph, Ezra and David from Beirut. Joseph, who was much older than the other two, was a successful businessman who had begun collecting art. When his business ran into trouble, he asked the two younger brothers to try and sell his collection which as a result launched their careers in art dealing.

‘They were very young, and they formed a very close friendship with Daniel-Henry Kahnweiler, who had been Picasso’s art dealer since 1901,’ says Helly Nahmad. ‘He had organised an exhibition in Rome of Juan Gris paintings, and the two brothers, still in their teens, were the only buyers. So when they turned up at Kahnweiler’s Paris gallery, he welcomed them.

‘I was never dragged around galleries as a child, but it soon became clear to me that I would be involved in art,’ he says. ‘When I was 10, I saw a Manet in an auction catalogue depicting a crowd celebrating Bastille Day in a street. In the middle of the road was a man on crutches with one leg missing—possibly a survivor of the Franco-Prussian war. I was mesmerised by this figure and the contrast between him and the surrounding festivities.

‘Ten years later I was at the Fondation Maeght in the south of France where I saw an incredible Miró sculpture in the garden against the winter sky. It was a column topped by a triangle with a curved bottom and a circle cut out of it, and a huge farmer’s rake balanced on top. I was entranced by its lightness, freedom, daring and simplicity—and I thought that there was nothing in any bank or any place in the world that would give me such a high as the art world. I knew I had to become an art dealer.’

‘By then in his eighties, Kahnweiler admired their passion for art, their daring in buying works of art and their work ethic. He more or less gave them exclusivity in Italy for the artists he represented, at a time when Italians could not easily travel to Paris to buy paintings. Picasso and Kahnweiler wanted to keep prices low to avoid speculation, and the two brothers instinctively understood this: if you treat art dealing purely as a business, it won’t succeed; if you treat it as a passion, it will succeed.’

The two younger Nahmad brothers left Italy in the 1970s, effectively taking the business global. David went to New York, where his son—also called Helly after grandfather Hillel—runs a gallery. Ezra moved to London and later to Monaco, leaving behind his Helly who opened a Mayfair gallery in 1998 after studying art history at the Courtauld Institute.

The family shares one ultimate goal of trying always to improve the collection

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working with investors. He employs only three people—none of them the sort of sales people that work in Bond Street galleries. His clients include some private collectors, but mainly brokers, auction houses and galleries who work with such collectors. He only deals with people who really want to buy art—persuading buyers is not part of the family ethos.

‘The 20th century has produced a maximum of 100 great artists, yet there are thousands of artists at work today’

He enjoys working with the family, though each family branch tends to have its own clients. However the family shares one ultimate goal of trying always to improve the collection by gathering together great works of art, rather like a museum. ‘We focus more on collecting than profits. As we make new acquisitions of better works of art, we sell off others. My role here is to find opportunities to buy, in particular by identifying what is great before other people do. That involves looking at art, going to exhibitions and trying to understand what is important.’

His answer to people who ask for his advice on what to collect is to buy what he’s buying. ‘The success of the art market leads people to ask us to create a portfolio for them, but I don’t generally like doing this because it involves turning a passion into a business. We have no analysts, accountants or lawyers—it’s a personal thing, and collecting art for other people is like trying to buy and sell love for them.’

Another task at the gallery is dealing with loan requests for exhibitions all over the world. The logistics are difficult, Helly Nahmad says, with complex security, transport and insurance issues which quickly become costly. But when exchanges are agreed, he finds it fascinating to see the artworks in different contexts.
‘Collecting art for other people is like trying to buy and sell love for them’

All kinds of art are great, is his philosophy, so long as it is honest and sincere—an expression of someone’s beliefs, ideas, fears or aspirations. ‘But what matters in the art market if you want to buy works for important sums of money is to understand art history. If it isn’t going to be part of art history, it will be forgotten. The 20th century has produced a maximum of 100 great artists, yet there are thousands of expensive artists at work today. The successful collectors are those who understand which ones will become part of art history.’

Helly Nahmad says that the shortage of great works and the flood of new money flowing into the art market from countries like Russia, Malaysia, Taiwan and Indonesia has meant that buying great 20th century artists has been a one-way ticket up. ‘The number of pictures is so small, and museums still buy but never sell. It’s not great for everyone—it helps only those who wish to sell or deal short-term. But it is what attracts collectors for whom art is not only a passion but also a great investment.’

Helly Nahmad’s tips for becoming an art collector

Only collect if you enjoy it.

See a lot of art before you buy—go to all the exhibitions and art fairs. You’ll enjoy seeing it and you’ll learn what is great.

Make your own decisions. Don’t trust other people’s decisions—collectors must buy with their eyes, not their ears.

Try not to buy what’s in fashion. That’s what most people do, but fashion changes.

If you want to follow others, buy a classic. That way, you’re safe—but they’re very hard to find these days.

‘I like artworks that are very daring, very strong and unusual’

What single piece of art would he choose to save if all the world’s art went up in smoke? After some thought, it is—surprisingly—a painting he has just sold: Miró’s Blue Star, bought in 2007 for €11.6 million and sold by Sotheby’s in June for £23.6 million, a new record for the artist.

‘I like artworks that are very daring, very strong and unusual—and also important. I have a weakness for Miró, and this painting is visually pure, simple, abstract and dreamlike. It is very hard to sell a picture like this: when we did accept the price, it was a heartbreaker. But we will now try to buy two or three lesser works that one day may be appreciated in the same way.’

For more information, visit www.hellynahmad.com
The father of social entrepreneurship

Bill Drayton

The inspirational founder of Ashoka, the largest organisation of social entrepreneurs worldwide, wants to turn everyone into changemakers with the freedom and confidence to change the nature of society for the good of all.

At a time when the pace of change in society is accelerating, entrepreneurs can play a hugely valuable role in adapting to an evolving world. Most will do so in pursuit of relatively narrow objectives, whether it be their own interests or those of shareholders, or in pursuit of an ideology or religious point of view. But from time to time, the system will careen off in directions that do not promote overall efficiency, equity or adaptability—and that, according to Bill Drayton, is where social entrepreneurs have a vital role to play.

‘Entrepreneurs are changemakers who change the nature of society,’ he says. ‘But what defines social entrepreneurs is that their core personality is committed to the pursuit of the good of all. And the faster the systems of the world change, the more critical becomes the role of social entrepreneurs in leading the world in the direction of the good of all. The challenge is to help everyone become a changemaker who is able to create the changes that the world needs.’

The term ‘social entrepreneurship’—now relatively commonplace in philanthropic circles—was coined by Bill Drayton and it was his insight into the power of social entrepreneurs that led him to found Ashoka in 1980. Its first step was to create fellowships to support the work of leading social entrepreneurs, and today there are more than 3,000 Ashoka Fellows in 85 countries around the world.

‘On a trip to India with three friends when I was 19, I saw the huge income differences in that country and America. Growing up in the US during the era of the civil rights movement, I had become interested in the Gandhian ideas that helped overcome the evil which had cursed our entire history. So the question I asked was what could be done about these differentials, and the answer was to harness the most powerful force in the world—a big idea in the hands of an entrepreneur.

‘There comes a moment when entrepreneurs have completed the long preparatory apprenticeship period: they know that they have an idea that will change the world, and they are ready to launch it. But financial institutions are not interested in backing social entrepreneurs—they don’t fit their models of entrepreneurship. And the entrepreneurs, who are typically in their thirties or early forties, have families to support. So at that take-off point, we give social entrepreneurs the financial support to quit their jobs and start testing and refining their new paradigms.’

Ashoka Fellows, selected through a rigorous process that lasts around eight months, are typically supported for three years, the average time needed to bring an idea from prototype to full-scale launch. ‘The stipend, which is given only to the degree that it is needed, is a bargain. It’s a very small amount to pay for a very big idea. On top of that, the Fellows are role models for others who see what they can achieve. Furthermore, they are mass recruiters of local changemakers, because that’s how social entrepreneurs spread their ideas. That may be more important than the actual ideas in some cases.’

‘What defines social entrepreneurs is that their core personality is committed to the pursuit of the good of all’

A good example of a successful Ashoka Fellow is Jill Vialet, a Californian who founded Sports4Kids to return recess and healthful group play to schools. So far over 300 city centre schools have bought her model. Not only does group play reduce obesity and fighting, it is a hugely important way children practice and master the skill of empathy. As society changes faster and faster, the rules cover less
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The father of social entrepreneurship

Philanthropy and social entrepreneurship
and less. Any person trying to be a good person by obeying the rules will hurt others and disrupt groups–and be promptly marginalised.’

Today there are more than 3,000 Ashoka Fellows in 85 countries around the world

A former consultant at McKinsey, Bill Drayton has analysed the qualities that make for effective social entrepreneurs such as Jill Vialet. The first is that more than two-thirds of Ashoka Fellows have had someone in their family who cared a lot about values in some way. ‘It doesn’t matter whether those values are left or right, religious or secular–they really cared about them. And the other 30 per cent are mostly cases where we don’t have the information.’

A second common quality is that they almost all started something in their teens. ‘When you’re 14 and you want to start a newspaper, a virtual radio station or a tutoring service, you get your friends together and make it happen. And when you leave that school and it is still there, no-one is ever going to tell you can’t change the world–you just did. You have mastered the skills of dreaming a dream and building a team, and changing your world.’

Other factors are having the right temperament and doing something that society values. Bill Drayton, a slight, softly spoken man, says he was no good at football at school and
Bill Drayton’s advice for budding social entrepreneurs

Give yourself permission to be a changemaker. Please politely ignore all those who tell you it cannot be done.

Develop your changemaking skills. Empathy, teamwork, leadership and changemaking—each is demanding, requiring hard work and a lot of practice.

Ensure that your friends are giving themselves permission. Everyone needs to enjoy the satisfaction of creativity and of being a giver. Make sure they develop their changemaking skills too.

And for supporting social entrepreneurship

Choose social entrepreneurs who can achieve the highest possible level of impact. It will not only give you great satisfaction; it will launch lifelong careers for those changing things for the better—and their success will encourage others to become changemakers.

Do not be diverted by searching for ‘scale’. Social entrepreneurs change frameworks: they are not about giving people fish or teaching them to fish: they are about changing the fundamental structure of the fishing industry.

Judge social entrepreneurs by their impact. They are focused on something more than just numbers: five years after their launch, over half the Ashoka Fellows have changed national policy and three-quarters the pattern of their field at the national level.

For more information, visit www.ashoka.org
Joan Miró, Personnage (painted 1965–1973)
A non-museum in the sun

Yoyo Maeght

The granddaughter of Marguerite and Aimé Maeght says that the foundation they created and which she administered for many years was designed to preserve the vision that led them to build an extraordinary gallery of the visual arts near the village of Saint-Paul-de-Vence in the South of France.

When André Malraux, France’s celebrated cultural affairs minister, gave the keynote speech at the formal opening in 1964 of the Marguerite and Aimé Maeght Foundation, he said that it was not a museum. For Yoyo Maeght, this was exactly the right spirit for the beautiful complex of buildings founded by her beloved grandfather to house a remarkable collection of modern works of art in the mountains of Provence. And she believes that a private foundation was the ideal way to create a place where the public could share her grandfather’s passion for living art.

‘The spirit is very important,’ she says. ‘There are very different aims for public and private places. A public gallery or museum has obligations, but a private foundation does not—and it can therefore express the passion of the founder.’

The importance of the Foundation for Yoyo Maeght is that it should perpetuate the vision of her grandfather of a laboratory of contemporary creation in Provence—the first hub of activity in the visual arts to be established outside Paris. One of the most astute art dealers of the middle years of the 20th century, Aimé Maeght championed artists such as Bonnard, Matisse, Braque, Chagall, Miró, Calder and Giacometti. After he became a collector in his own right, he and his wife decided to create the Foundation to house his collection and to offer their artist friends total freedom of expression throughout the buildings and grounds.

It was a long way from his early life, brought up by his mother after his father, a railway worker, went missing in action during the First World War. From an early age, he was fascinated by jazz, poetry and painting, but to support his family, he became a lithographer-engraver. In 1927, he found work as a printer in Cannes, where he also met Marguerite whom he married a year later. And in 1932, he opened a print shop called ARTE where local artists came to make lithographs.

One of his first customers was Pierre Bonnard, the painter who was so impressed with his work that he became a sort of godfather to Aimé whose shop evolved into an art gallery. Later, Aimé became a publisher, initially publishing contemporary poetry illustrated by artists such as Matisse who also became a close friend. After the Second World War, Aimé Maeght and Bonnard closed the Cannes gallery and opened a larger Galerie Maeght in Paris, launched with a series of drawings produced by Matisse.

‘My grandfather had great self-confidence but he was never arrogant,’ says Yoyo Maeght. ‘With the backing of Bonnard, Matisse and Braque, he attracted artists such as Rouault and Miró by asking them to support his gallery, pledging his support for their work in return. All through his life, he created tools to support art and artists—whether it was printing a small postcard, publishing a catalogue or organising an exhibition at the Grand Palais in Paris.’

‘A public gallery or museum has obligations, but a private foundation does not—and it can therefore express the passion of the founder’

Tragedy struck in 1950, however, when Bernard Maeght, second son of Marguerite and Aimé, was diagnosed with leukemia. They bought a property in the village of Saint-Paul-de-Vence 25km north of Nice to nurse him where the air was clearer. When Bernard died in 1953, their artist friends rallied round, and Braque and Fernand Léger suggested that they build a new type of art venue. After visiting famous American foundations, they decided to
create a space on a hill close to Saint-Paul to house their collection where their circle of friends could work and exchange ideas. When workmen began clearing trees on the land, they found the ruins of a small chapel which turned out to be dedicated to St Bernard—a discovery seen by Aimé as an unmistakeable omen.

‘I grew up with famous artworks on my bedroom wall—by Chagall, Braque and Giacometti’

‘Miró introduced my grandfather to Josep Lluis Sert, the Catalan architect. Sert had designed the Spanish Pavilion at the Paris International Exposition of 1938 which had impressed my grandfather for its simplicity, elegance and light. Before beginning work on the Foundation, Sert talked with the artists surrounding my grandfather to discover the spirit of what they needed. He then designed the Foundation to be like a Provençal village, with an open square, a chapel, a town hall with balconies and buildings around courtyards.’

A room was built to display a single painting by Chagall, his largest work, while a more intimate room was provided for Giacometti to house his sculptures. Braque and Ubac designed stained glass windows and stations of the cross for the chapel, while Miró created a labyrinth in the garden full of sculptures and ceramics. Giacometti installed his Homme Qui Marche (Walking Man) and Femmes de Venise (Women of Venice) in the main courtyard, Braque created mosaic fish in the pools and Chagall lined the bookshop walls with mosaics.

The formal opening of the Foundation attracted a glittering array of guests from the visual arts, who were entertained by musicians such as Yves Montand and Ella Fitzgerald. Other famous musicians from Pierre Boulez and John Cage to Duke Ellington have performed there since the opening, fulfilling the founders’ vision of a centre for all forms of contemporary art.

The Foundation’s strength, according to Yoyo Maeght is that it reflects the founders’ ideas about its purpose. The collection includes 64 Giacometti sculptures and more than...
a thousand works by Miró, but it has no Picasso. 'It has over 200,000 visitors a year, but no-one asks why it has no Picassos. A public museum would have to justify why its collection had no Picasso. When visitors come to the Marguerite and Aimé Maeght Foundation, they know they are in a place where two people chose the works on display, and no-one can say they are wrong.'

‘The basic ingredients of art are always the same and it is the talent of the artists that makes works of art what they are’

As a child, Yoyo Maeght was close to her grandfather, spending much of her time with him. Her grandmother died in 1977, and when Aimé died in 1981 she was with him in Saint-Paul. But by then, she says, her grandfather had opened her eyes to art.

'I spent more time with my grandfather than with my father or mother, and I learned a lot from him. At the age of ten, Papi took me to the Louisiana Museum in Denmark to see an Alexander Calder exhibition. I went with him often to the opera and he taught me to observe everything so that I could understand art—he said that you cannot understand a Miró painting unless you have seen a Truffaut movie.

'I grew up with famous artworks on my bedroom wall—by Chagall, Braque and Giacometti. It was normal to see wonderful sculptures of people with their heads upside down and a goat playing a violin, and to talk with Miró, the poet Jacques Prévert and André Malraux. My sister Florence said she was unimpressed when she saw The Wizard of Oz: “A man dressed as a lion or a tin man was nothing special when you have seen a Chagall or played in Miró’s labyrinth.”

'I was seven when Duke Ellington came to play Blues
for Miró at our house. Miró, who was like an uncle to me, told me that Ellington was playing with the same tools as Mozart, while he painted with the same colours as Rembrandt and I used the same words as Jacques Prévert. This really changed my life, because I understood that the basic ingredients of art are always the same and it is the talent of the artists that makes works of art what they are.’

After her grandfather’s death, she became involved in running the Foundation. But she felt that while it staged many exhibitions, some organised by her, it had lost sight of his vision. ‘He taught me that what he did was alive—it was not a mausoleum. I wanted to remember his spirit, how he worked all his life and why all the artists wanted to work with him. The Foundation was not an end, but a tool to explain—to show and share what he liked. But it was being managed by looking backwards to the past.’

‘While limited companies normally last for 99 years, a foundation has no time limit’

Yoyo Maeght stepped down from the Foundation’s board in 2011. ‘It is a big mistake to keep the Foundation frozen. It is not a question of exhibiting new artists—that is a conventional choice which can be made in any museum. With a foundation, you have to make choices, and the exhibitions today are not in the spirit of my grandfather. His aim was to bring people in to share his vision, and that requires a special programme.’

Today, Yoyo Maeght works as a consultant on exhibitions around the world—in France, China, Turkey and many other countries. She also advises companies which want to become involved in the art world and need advice in choosing between options such as sponsorship of exhibitions, support for artists or the creation of a foundation. And she is a judge at the Tribunal de Commerce, sitting weekly on commercial cases in the Palais de Justice in Paris.

And it is her legal expertise that convinces her of the value of foundations in preserving a vision, as against private museums or bequests to public museums. ‘The law governing foundations is narrow and complicated, but that is very good. It makes it very hard to cross lines and move away from the founder’s vision—if those lines are crossed, it is very hard to go back.

‘And while limited companies normally last for 99 years, a foundation has no time limit. The Marguerite and Aimé Maeght Foundation is not yet 50 years old, but I care about the long term. When you create a foundation, you are deciding what it will be for centuries.’

For more information, visit www.fondation-maeght.com
The most successful entrepreneurs and innovative business leaders of the last 20 years are bringing a new mindset to tackling the world’s ills. Like their predecessors, this new generation of philanthropists wants to use their wealth to change society for the better. But they do not expect simply to hand over the money for others to spend: they want to use their business skills and experience to see tangible results within their lifetimes.

For Kurt Hoffman, the newly appointed Chief Executive of the Institute for Philanthropy, this is an exciting development. The social capital invested in philanthropic work by the new generation is very different to the contributions of government, commercial enterprises and traditional foundations which often tackle social problems in more traditional ways.

‘Philanthropists today take a more flexible approach, deploying their social risk capital to catalyse sustainable solutions to society’s big problems. The philanthropists I meet want to think strategically about how they can best intervene to tackle a problem, rather than just picking up the pieces once the damage is done. They are ready to ask five times before they are sure what the problem is, and that often means intervening earlier in the supply chain.’

The Institute, which is based in London and New York, was created ten years ago with two purposes: to become a thought-leader in global philanthropy by developing evidence-based research and analysis; and to encourage philanthropic activity in the UK, which had lagged behind the scale of US giving. The arrival of Salvatore LaSpada as Chief Executive in 1996 added a third leg with an international programme of donor education, the flagship course of which is The Philanthropy Workshop.

‘The philanthropists I meet want to think strategically about how they can best intervene to tackle a problem’
Created at the Rockefeller Foundation in the USA, it was designed to increase the capacity of wealthy individuals to take a more strategic and impact-focused approach to social change.

‘Participents range from younger people starting their philanthropy careers to those philanthropists at the end of their business careers’

‘It was based on concerns among the big philanthropic institutions about the effectiveness of their grant-dominated models which gave too little attention to measuring impacts,’ says Kurt Hoffman. ‘Unlike charitable giving to a local good cause in response to an appeal, the Workshop promotes an investment-type approach in which donors decide what they want to achieve, analyse the various options and then do due diligence on the possible recipients by focusing on their ability to achieve their aims.’

The Philanthropy Workshop brings together 12–15 people for three separate weeks of activity spread over six to nine months—one week in London, one in New York and one in a developing country. Every week involves a combination of instruction in the aims and techniques of strategic philanthropy, discussions with alumni of the course and meetings with stakeholders in the countries. There is also an element of ‘learning-by-doing’ through visits to organisations working to help people in different ways, and shadowing some of their leaders.

‘We recently took a group to Sierra Leone, making visits to projects in challenging environments. Meetings with stakeholders included discussions with the President and some ministers. Participants are encouraged to work on their own portfolios of projects and to discuss them with our team. We now have more than 150 alumni of the Workshops, and around 60 per cent of the participants join the course on their recommendations.

‘The participants range from younger people starting their philanthropy careers to those making the transition to becoming philanthropists at the end of their business careers. In-between alumni include successful entrepreneurs such as Marcelle Speller who, after the sale of Holiday-Rentals.com which she co-founded, created LocalGiving.com to enable philanthropic donations to the small local charities which are often overlooked by bigger donors.

‘Our alumni are passionate about the transformations that the Workshop has helped them make. And they have gone on to promote an amazing range of activities, such as support for isolated families in the North-East of Scotland, projects to help women and children in
India, sustainable energy programmes and organisations helping the victims of people trafficking. One retired accountant created an organisation to help charities improve their efficiency through accounting and back office systems. It’s quite an eclectic range.

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**‘Philanthropic investments are very different from commercial investments’**

A more recent addition to the Institute’s education activities is the Next Generation programme targeted at the younger family members of philanthropists. Again, the emphasis is on newer concerns such as impact investment and social entrepreneurship, rather than more traditional types of philanthropy. A typical course brings together six to eight people, often still at university or just starting their business careers, over a couple of weekends. Shorter than The Philanthropy Workshop, it shares some elements but is tailored to the group’s interests and availability.

Kurt Hoffman brings substantial field experience to the Institute, which he joined at the end of 2011. Between 1997 and 2008, he had designed and set up the Shell Foundation and then run it for Royal Dutch Shell. ‘It was a path-breaking social investment entity focused on social issues close to Shell’s business—poverty and environmental issues—rather than supporting hospitals and schools as many commercial foundations did. The thinking was that Shell was part of the problem, but that it could show that it was also part of the solution.’

Previously, he had had 15 years’ experience as a development professional. ‘What I realised was that my development colleagues and I were good at analysing problems and writing about them, but not very good at solving problems. I came to believe passionately that business was a source of the practical skills to solve social problems—in finance, risk assessment, marketing and supply chains. At the Shell Foundation, we therefore worked to find market-based solutions to poverty and the environment, incubating business models and scaling them up to become self-sustaining.

‘We created Grofin Capital, the largest supplier of private finance for small and medium-sized businesses in Africa, and then spun it off. Today it has more than USD150 million under management in nine countries across the continent. It applies private equity principles by selecting projects where it believes that the management team has the capacity to achieve its aims, but it also requires some financial engineering to make a commercial return.’

His intention as a former academic was to return to writing after leaving the Shell Foundation. But he spent the next few years with The William and Flora Hewlett Foundation, working to find ways of commercialising subsistence farming in Africa. When his work there finished, he was keen to live closer to home and was attracted by the vacancy left at the Institute by Salvatore LaSpada’s departure. ‘Sal and his team had developed a world-class teaching product that needed to be expanded as the philanthropy world grew. I was also keen to continue the revival of the Think Philanthropy research reports, which had examined issues such as the role of social media, impact investing and climate change. I want to strengthen the focus on performance—whether it’s impact investing or the accountability of foundations.

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**‘Practical experience has to be the most valuable component of learning to do philanthropy’**

‘There is also the rapidly growing philanthropy advisory sector, where the advisers are often sitting beside regulated investment advisers but are themselves unregulated. There’s a point in the advisory cycle for philanthropists when we have to add some practical experience in delivery to the principles of good project selection.

‘Individual philanthropists can make the transformation in their minds and skills-bases to strategic philanthropy and begin to support a few projects in a strategic way. But when it comes to taking on more complicated projects, engaging with issues where government policies are causing the problems or where the media needs to be involved, an additional set of skills and experience is useful. Practical experience has to be the most valuable component of learning to do philanthropy and I’d like the Institute to provide that through our education programmes.’

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**Kurt Hoffman’s advice for strategic philanthropists**

**Think about the totality of resources you can bring to the table—time, knowledge, business skills, networks and partnerships, as well as money.**

**Be clear about your objectives.** Choose from the enormous range of issues that will confront you and focus on what you want to achieve.

**Make a long-term commitment and look for sustainable opportunities.** There is a tendency in the charity world to launch pilots and then move on, but no successful business or investor would do that.

**Don’t assume that the people tackling important problems are the best at what they are doing.** Even if they are nice guys, due diligence means looking very carefully at their track record, their business infrastructure, how they monitor their operations and how they engage with their beneficiaries.

**Ask ‘Why?’ five times.** When analysing the cause of a problem, never believe the first thing you hear.
Philanthropy is an ineffective industry, according to Yann Borgstedt, because there are so many people doing the same things. That duplication is not an efficient way to achieve results and he finds it frustrating.

‘In the real world, if you put three Chinese restaurants next to each other, one or two will go bankrupt. In philanthropy, you can have ten foundations doing the same thing and they’re still alive. And even the smartest business people don’t always apply their business skills when they start giving money.’

With a track record as a successful entrepreneur and financial executive, Yann Borgstedt believes in bringing a business approach to his philanthropic activities. ‘We start by mapping the market to see if there is a need for what we want to do—I don’t want to be the one defining the need. And if there is a need, then I want to know whether I have a solution to it. I want to understand the landscape, who is doing what in that space and how we can best fit in so as to really add value.’

He says that many philanthropists write cheques without understanding what needs to be done. ‘If there is a problem, it usually doesn’t stand alone. To deal with illiteracy, for example, you have to understand other factors behind it, such as lack of food, security or shelter.

‘It’s not about you, but about the people you want to help. That’s why I believe in partnering. We are part of an eco-system, and I want to be integrated in it and provide something that adds value. I don’t want to duplicate what many others are doing. I like to find an innovative idea, and help it to reach scale.’

The application of business principles to philanthropy, with an emphasis on positive results, sustainability and social progress, has become known as impact investing, and it is an approach that Yann Borgstedt has adopted since he started his philanthropic activities. He worked as a banker and a venture capitalist, and co-founded a web design company, which was later sold to a listed company. But in 2002, he began working in the Geneva-based logistics business founded by his great-great-grandfather. This was when he realised that he wanted more from life. ‘I wasn’t happy just working to make more money: there is a bigger purpose in life. I came from a privileged background—not just in terms of money but also of education. I felt I had a duty to do something, but I didn’t know what.’

‘To make the best possible impact, I decided to focus on one cause’

He decided to do something for underprivileged children. He wanted to start close to Europe to avoid spending too much time on travel, and while in Morocco on business with the Young Presidents’ Organisation, he met an organisation that worked with single mothers. Morocco is the only Muslim country with a lot of single mothers, he says, and he learnt that many of them had been ‘little maids’, girls taken from poor rural areas between six and twelve years of age to do domestic work in the cities. They are often treated like slaves and even sexually abused, with many ending up on the streets or as single mothers.

‘I decided that if I wanted to make the best possible impact, I had to focus on one cause—so I chose girls and women’s empowerment. By focusing on one population, you can learn more about what to do and leverage your skills and your contacts.’

He founded the Smiling Children Foundation in 2005, launching the Little Maids programme in partner-
ship with the Moroccan NGO INSAF to sponsor the young girls through education, restore them to their families and campaign for the end of child slavery. Then, when he was thinking about another country to work in, he chose Afghanistan, which he saw as one of the worst places for women. On the recommendation of Cherie Blair, wife of the former British prime minister, Smiling Children supported Al Fatah School in Kabul—the largest school for girls in Afghanistan—to turn it into a model school in partnership with the UK Foreign Office and the British Council.

‘I decided that if I wanted to make the best possible impact, I had to focus on one cause—so I chose girls and women’s empowerment’

‘We’re still working with the school, and with a million-dollar grant from UBS’s Optimus Foundation, we are going to do the same with another 11 girls’ schools across the country. We work with the government to do teachers’ training, develop the curriculum including sports, hygiene and health, and supply educational resources like libraries, science labs and computers. We’re building human capital in partnership with organisations that can train the teachers and implement other parts of the programme. I visit twice a year to follow progress.’

Always restless and always looking for new challenges, Yann Borgstedt joined the Ashoka Support Network in 2007 (for more about Ashoka, an organisation that supports social entrepreneurs, see page 18). He began supporting two of its Fellows in France, one developing green social housing and the other helping budding entrepreneurs in the Paris suburbs. Through Ashoka, he also met Reza, an Iranian photographer who had set up a radio station for women in Afghanistan. They decided to do the same in the Middle East, starting on the West Bank where the Foundation has supported several projects, one of which is to help Palestinian farmers produce high quality olive oil.

‘Our aim was to start a commercial radio station that could become financially sustainable through advertising and other forms of income. Initially web-based, NISAA FM (Women’s Voice) started broadcasting in 2009 and will break even this year. We’re now working on launching it in Egypt, where women are in danger of losing out after the Arab Spring. Although it’s run by a woman and targets women, it also attracts male listeners which we hope will help change perceptions of women in society.’

‘I see social entrepreneurship as more than just about business—it is about innovation and social progress’

‘We launched in Brazil last year, backing a woman entrepreneur who organises 700 women living in favelas who make household items sold through a catalogue by a network of resellers. Her aim is to expand to 3,000 women artisans from Rio de Janeiro to São Paulo, and we will work with her to achieve that. In India, the project is supporting a woman who works with girls in 5,000 schools in Rajasthan to achieve equal participation through education; the aim is to take her programme to 10,000 schools. The latter will never be financially autonomous, but I see social entrepreneurship as more than just about business—it is about innovation and social progress.’
Yann Borgstedt has recently changed his foundation’s name to Womanity (combining Women and Humanity) to reflect that it focuses on women’s empowerment. His latest project is to create an award to find innovative ways of reducing violence against women, a global problem that affects both rich and poor countries. Reflecting his business-like approach, he has commissioned Accenture Development Partners (which bills at cost) to look at what is already being done in this field, see if there is a gap he can fill and develop a model. The award will be designed to help the winners replicate successful solutions in the field, and he is looking for a sponsor whose name will be on the award.

Although he no longer works in the family business, he continues to manage his real estate development, which occupies about half of his time. ‘I have the flexibility to invest a good part of my time in philanthropy, and I don’t have to manage my team day-to-day. My entourage probably thinks I’m bizarre, going off to Afghanistan and the Middle East, but they respect my choices.

‘Since I was young, I have questioned life’s meaning. Either life leads you or you lead life. I feel I have a responsibility that’s bigger than me. I have more than I need, and more than 99 per cent of the planet. I draw meaning from contributing to other people’s advancement in my way, in using the skills, experience and connections that I have.’

For more information, visit www.womanity.org

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**Yann Borgstedt’s tips for social entrepreneurs**

**Remain humble and open-minded.** Never believe you are right. You will be dealing with people who face complex problems on a daily basis in a tough environment. You can learn from them.

**Understand that you are part of an eco-system.** It is not just about you working on an issue—when you try to solve a problem, you have to find your place in the context and reinforce the collective efforts.

**Focus.** As in a business, it is vital to have a clear mission in social development work.

**Be prepared to take risks.** It is better to fail by trying to do something innovative than to stifle creativity and change. Like venture investors, aim to break through the boundaries and think out of the box.

**Have fun.** It is important to enjoy your philanthropic commitment. You will meet the most amazing people in doing it.
Left: Pablo Picasso, *Femme nue assise les bras croisés* (Painted on 28 May 1967)
Right: Joan Miró, *Femme et oiseau IV/X* (Painted on 6 May 1960)
The philantrophist in action

Valérie Wertheimer

The founder of a Swiss NGO which protects young people from the dangers of the internet has created an ambitious programme to sensitise children and their parents to the fast-growing scale of online threats

It was while on holiday in Thailand that Valérie Wertheimer, who has married into a family that owns a cosmetics business, noticed some strange goings-on. Very young local children were meeting much older male tourists in the lobby of her Bangkok hotel. While she had known that sex tourism was rampant in Thailand, she was shocked to see evidence of paedophilia—especially when she learnt that the meetings between children and adults were organised over the internet.

‘When I returned home after seeing what I had seen, I had two choices,’ she says. ‘Either to keep quiet and forget about my holiday, or to take action. I decided to get involved and start a campaign against internet child abuse.’

As a first step, she went to a major conference on the issue held in Geneva in 1999, before launching Action Innocence later in the year to combat online paedophiles. But with the explosive growth in the internet, the development of social media and the age of users falling all the time, other forms of abuse quickly came to light. Today, the organisation focuses on much more than just paedophilia, tackling a wide range of dangers that threaten young people online such as inappropriate and illegal content, cyber-bullying, the sale of pharmaceuticals and drugs on the internet and websites encouraging self-harm.

‘Abuse of children has always existed,’ she says, ‘but the phenomenon has been magnified by the net. There is a constant increase in the volume of paedophile images, which are distributed at a fast accelerating pace through a medium which has no borders. Organised criminal networks find that the internet makes it very easy to approach children and teenagers.

‘Today, children aged nine or ten have access to the internet—not only at home but also on their mobile phones. The Facebook generation openly shares everything online with no understanding of the sensitivity of pictures and data. And young people live relationships in cyberspace, rather than through human contact. On the internet, everything seems possible, from insulting a friend or classmate to discussing sex and violence.

‘The public sector is not at all prepared to handle these problems—there are no programmes or courses to stop these abuses. Yet they affect all social classes, not just deprived children. Often the problems develop because of a lack of parental control, and where PCs are available in children’s bedrooms.’

The eight-member board draws on a wide range of skills, including lawyers, bankers, businessmen and advertising executives

At first, Action Innocence was just Valérie Wertheimer and close friends, but it has now grown to an organisation of 20 employees, mainly psychologists, social workers and engineers based in Geneva but operating also in Paris and Monaco. She chairs the eight-member board, which draws on a wide range of skills, including lawyers, bankers, businessmen and advertising executives. Its mission is to safeguard children’s dignity and integrity on the internet, and it has adopted three targets:

• To inform the general public about the dangers of the internet and raise awareness among children, teenagers, parents and professionals
• To promote safe practices when using the internet
• To work closely with police forces in Europe to combat crimes against children online.
One example of its work is the ‘Surfing the Internet with Care’ programme, which visits public and private schools in Switzerland’s French-speaking cantons to explain the nature and scale of internet risks. It now reaches almost 20,000 young people a year, with modules tailored to different age-groups updated every year as the internet develops.

‘We speak mainly to teenagers between nine and 15, which is the most critical age. The aim is to prevent cyber-crime in order to reduce the need to pick up the pieces after crimes have been committed. And we talk about all the risks associated with the internet—cyber-bullying and putting inappropriate images and information online, as well as pornography and paedophilia.’

With the help of marketing companies Euro RSCG and Mediatonic, Action Innocence disseminates information through powerful and shocking advertising campaigns using posters and film. And it has created an internet awareness website for teenagers and their families.
It is also developing IT solutions to help the police combat online crimes against children more effectively. One module searches for files of a paedophile nature on the peer-to-peer networks used by many abusers to swap material and then identifies the online addresses of the people disseminating the files. These software programs have been used free of charge by police services in Austria, Italy and Quebec in Canada, in addition to Switzerland, France and Monaco.

Action Innocence is a non-governmental organisation rather than a foundation. Valérie Wertheimer explains that the difference is structural: a foundation is created by setting aside a sum of money to achieve a goal; an NGO is a voluntary organisation consisting of its members.

‘Our resources come mainly from private donations and foundations, and from organising a charity dinner every two years where goods donated by leading companies are auctioned off,’ she says. ‘Fund-raising can be difficult, because the subject is very difficult to “sell”—even though it touches everybody’s lives, future and children. But when people are shown pictures of the results of online crime, they are very shocked and they react.’

With limited resources, Action Innocence carries out feasibility studies before launching major initiatives. These provide opportunities to run pilot projects and seek suitable financial partners to fund such initiatives. Their impact is carefully measured—for example, in terms of the number of young people who have been on courses or through assessments of the impact of intervention work.

It now reaches almost 20,000 young people a year, with modules tailored to different age-groups updated every year as the internet develops

In addition to her work with Action Innocence, Valérie Wertheimer raises funds to support an orphanage in the Dominican Republic. When she became involved ten years ago, there were 40 children living there in very poor conditions. Today it houses 180 children who are provided with food, medicines, care, education and interesting activities to give them a future.

‘Nowadays, philanthropy is everyone’s business,’ she says. ‘People are increasingly talking about social responsibility, and companies have a duty to get involved. The philanthropist’s role has always been to fulfil a need that is not met by the government. We gather together the resources to meet such needs, and because we are independent, we can act quickly—very often by applying innovative solutions.’

But she warns that the world of philanthropy can be difficult and egotistical: ‘Egos often count for more than the cause. There are no synergies between the different organisations and causes. You have to be operationally involved day in and day out if you want to make an impact.’

As a result, her philanthropy has morphed into social entrepreneurship—Action Innocence has effectively become a small company. And like all entrepreneurs, Valérie Wertheimer has ambitious plans for growth.

‘Nowadays, philanthropy is everyone’s business’

‘The future of our organisation lies in a significant increase in the number of people who disseminate prevention messages. So we have launched a “train the trainers” programme for professionals such as schoolteachers and other tutors to raise awareness about the dangers linked to new technologies. Ideally these preventive measures should be included in every child’s compulsory school curriculum, helping them to protect themselves.’

For more information, visit www.actioninnocence.org

Valérie Wertheimer’s tips for developing a philanthropic role

Be determined. To achieve your objectives, you will need to be stubborn, optimistic, reactive—and a little bit crazy.

Surround yourself with professionals. Motivation and commitment are not enough!

Define your initiatives very carefully. Then move ahead step by step—and fund each project when you launch it.

Build a support network. Include entrepreneurs, business executives, bankers, opinion leaders, celebrities and professionals who specialise in the sectors where you want to make a difference.

Accept that philanthropy is a business. We can all participate and play a role to get things moving in the right direction.
As a matter of fact, more than one foundation is created per day in Switzerland. Despite the financial crisis, the capital of foundations has increased substantially and now stands at over CHF 70 billion. Finally, Switzerland is among the most generous countries in Europe. In addition to private gifts of approximately CHF 1.3 billion a year, the Swiss charities distribute between one and CHF 2 billion a year.

A favourable environment

Switzerland has a long tradition of philanthropy and humanitarian assistance owing to the presence of a number of major international governmental and non-governmental organisations dealing with issues of common interest at a global level. As a consequence, Swiss charities are recognised worldwide and widely used by international donors. Switzerland also combines stability, security and respect for privacy as well as a significant expertise in advising and managing of such entities.

A flexible legal and regulatory framework

The ever-increasing number of charities in Switzerland can also be explained by a clear legal and regulatory framework for the creation of such structures.

Swiss foundation law provides for a wide degree of autonomy when drafting the by-laws. Indeed, by-laws may be drafted to provide tailor-made rules of governance and ensure the continuity of the foundation. A member of the family may always sit on the foundation council. The founder can choose to what extent he appears in relation to the foundation. He may remain anonymous or name the foundation after himself. Also, the foundation council may decide to make distributions to specific non-profit projects or other non-profit institutions whose purposes are covered by the foundation’s aim. The foundation’s resources may therefore be allocated for effective implementation of its purpose.
There is no specific legal requirement in respect of the investment of the foundation assets, but general principles such as liquidity, risk-spreading and diversification and capital preservation on a long-term basis should be borne in mind.

**A foundation may be fully tax-exempt if certain legal requirements are fulfilled**

Finally, Swiss foundations are subject to state supervision. This supervision aims at ensuring that a foundation’s funds are used only in accordance with the purpose published in the by-laws.

**A tax-exempt entity**

A foundation may be fully tax-exempt, if the following legal requirements are fulfilled:

(a) the foundation must pursue a public interest;

(b) the actual activity pursued must be exclusively dedicated to a public purpose or the benefit of third parties;

(c) the funds available to the foundation are irrevocably committed to the tax-exempt purpose;

(d) the foundation must pursue the purposes set out in its by-laws and use its funds to achieve them;

(e) the foundation must finally allocate its funds in an altruistic manner to achieve its purpose.

We can assist in the creation of a charitable foundation, including its incorporation, liaising with the public notary, commercial registry and the supervisory authority and obtaining the necessary tax exemption. Our administration, accounting and tax reporting services can also take care of the foundation’s day-to-day management as well as its accounting, tax and legal obligations.
Broadly speaking, capitalism has succeeded in making communities much richer on average, but it does not deal with social consequences. In recent decades, the gap between the ‘haves’ and ‘have-nots’ has increased—even in the best of times, the government has been unable to narrow the gap. Now, in an era when fiscal deficits must be reduced, much of the task of tackling society’s most pressing issues falls on social entrepreneurs working in what has traditionally been called the voluntary, non-profit or third sector.

Yet while this sector has done its best to address social problems with support from philanthropists, foundations and government grants, it lacks the secure funding needed to achieve significant results. We need to find ways of tapping into the capital markets, a huge pool of funds that has remained largely untapped for social purposes. To do this, we must create a new asset class for investors that will blend social and financial returns, allowing social entrepreneurs to raise the capital required to support large-scale activity.

Thinking about how to achieve this began in the UK in 2000 through the Social Investment Task Force, which I chaired. It identified the need for intermediaries between investors and social entrepreneurs and in 2007 we created Social Finance as the first social investment bank. Three years later, it launched the Social Impact Bond, an innovative investment designed to attract capital for social purposes with measurable outcomes.

The first Social Impact Bond raised £5 million to reduce the high rate of re-offending by prisoners—at least 60 per cent of those sent to UK prisons on short sentences re-offend within a year of release. The cost to society is enormous, and not just because of the crimes they go on to commit: catching and locking up prisoners is expensive, their families need public support and they are unable to contribute to society by paying taxes. So any reduction in re-offending will produce real financial benefits, as well as the social benefits of a lower crime rate and better prospects for offenders’ families.

We believe that we will be able to structure social impact bonds to attract investment from pension funds and individuals.

The money raised by the bond finances not-for-profit ventures that tackle the causes of re-offending by helping prisoners released from Peterborough gaol to find jobs and housing and to overcome other obstacles. The financial return on the investment is directly linked to the success of the programmes over a six-year period. There is no return if re-offending does not fall by 7.5 per cent—indeed, the investors lose their money. It reoffending falls by 7.5 per cent or more, the investors recoup their capital and earn an annual return on a sliding scale, which rises from 2.5 per cent to a maximum of 13.3 per cent when re-offending drops by 15 per cent or more. Crucially, any payouts to investors will be less than half the estimated cost to the justice system of dealing with re-offenders.

We believe this is a model for other social enterprises that can deliver measurable savings to provide investors with a financial return, and it has attracted interest from around the world. And although we raised the finance initially from foundations—to underline the social purpose—we believe that we will be able to structure future bonds to attract investment from pension funds and individuals.

A big step forward in bringing capital to social enterprises came in
Social purpose plus market returns

Bridges Ventures illustrates the potential for attracting investment to areas starved of capital by blending social and financial returns. When we approached investors for the first Bridges fund in 2002, we said that we aimed to provide financial returns of around half the level for venture capital, as well as substantial social returns. We started with £40 million, 50 per cent from private investors and the rest in matching funds from the government.

Today Bridges manages £300 million, and returns have been above expectations—close to market returns at between 15 and 20 per cent. When you operate in a poor area, you have to develop new business models that need less capital and incur lower costs if their products are to be affordable. One success has been The Gym, with more than 20 fitness centres in poor areas which are open 24/7 and charge members less than £15 a month—thus attracting people who have never used a gym before. In addition to these social returns, The Gym has the potential to be sold on with a possible valuation of £100 million—early stage investing at its best.

Will social enterprise render philanthropy obsolete? No. There are many situations in which philanthropy will be more suitable than impact investment—for example, where it is hard to measure social performance, for small local community organisations and where the returns are too small or too risky. Philanthropy can also play a crucial role in leveraging in capital and supporting innovation.

However, venture capital and entrepreneurship have transformed the mindset of investors, government and mainstream business over recent decades. By developing new forms of investment that can draw in significant amounts of capital to support social entrepreneurship and innovation, we can achieve a similar paradigm shift in the social sector.

Sir Ronald Cohen, often described as the father of British venture capital, is chairman of Big Society Capital and the Portland Trust. He was co-founder and chairman of Bridges Ventures and founder-director of Social Finance in the UK and the US. Until 2005, he was executive chairman of Apax Partners Worldwide LLP, the private equity firm which he co-founded in 1972.

For more information, visit www.bigsocietycapital.com

2010, when the newly elected coalition government decided to create a much bigger social investment bank in the form of Big Society Capital. It was given £400 million from dormant bank accounts, topped up with £200 million from the four largest banks to give it £600 million of equity capital. Its role is to be a wholesale provider of capital to develop the market for investments that generate positive social impact and earn a range of financial returns from low levels to market rates. We expect it to act as a champion for social investment, helping embed techniques for measuring social and financial impact in the social sector.

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We should like to thank the philanthropists and social entrepreneurs who generously shared their experiences with us: Sir Ronald Cohen, Bill Drayton, Yann Borgstedt, Dominique Allard, Anne de Breuck, Valérie Wertheimer and Kurt Hoffman. We are grateful to Filipe Santos for his academic views on social entrepreneurship, and last but not least to Yoyo Maeght and Helly Nahmad for their insights into their art collections and foundations.

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