

# Can private aid eradicate poverty? Analysis and perspectives on venture philanthropy and individual philanthropy

Round table // Social and solidarity economy and Social business



## Moderator

### Priscilla de Moustier

President of the Supervisory Board, OXUS Holding

## Speakers

### Béatrice de Durfort

General Delegate, French Center for Funds and Foundations

### Pierre-Emmanuel Grange

Founder, MicroDON

### Arnaud Poissonnier

Founder and President, Babyloan

### Michel Soublin

President, Comité de la Charte du Don en Confiance (independent committee for trust in voluntary donations)

### Judith Symonds

Senior Consultant, JCS International

## Executive summary

The purpose of philanthropy is to bring solutions to a wide range of social issues. This conference dealt with private aid that individuals channel to international solidarity associations. Private philanthropy can be implemented with various tools ranging from strategic grants donated by individuals and foundations, to different forms of social investment ("impact investing," microcredit, social entrepreneurship, patient capital, etc.).

New forms of philanthropy and social investments have recently been introduced in France and have broadened the field of participants involved in philanthropy.

In a sense, we can therefore consider that innovative solutions engage private actors into a new form of individual philanthropy, such as:

- Online lending platforms for micro-entrepreneurs (Babyloan),
- Donation cards for community associations (MicroDON),
- Rounding up payrolls to save the remaining cents for social support.

To encourage the development of private philanthropy, it is best to make donors confident by controlling the recipient organizations, as the Comité de la Charte du Don en Confiance (independent committee for trust in voluntary donations) does. Another measure could be to promote closer ties between associations to avoid the effects of resource dilution.

## Synthesis

**Arnaud Poissonnier** presented **Babyloan**, a peer to peer lending platform that is leader on this market in Europe. Babyloan consists in philanthropy through innovation. Their internet platform tightens the relations between the North and the South. Instead of giving, people lend money to micro-entrepreneurs.

According to **Arnaud Poissonnier**, the goal of philanthropy is to compensate for the shortcomings of the State. It would thus be wise to consider developing new tools, particularly on the Internet, which is already creating new forms of solidarity. Among all the donations in France, the web represents only 3 to 3.5%, which leaves room for considerable evolutions. He gave the example of "Just Giving", an English website that allows individuals to organize fundraising events for associations.

**Pierre-Emmanuel Grange** discovered the idea of "redondeo" in Mexico. This technique consists in rounding up salaries to the dollar and save the cents for an association. Therefore, it is "embedded-giving", i.e. generosity that is part of day-to-day activities.

**MicroDON** has developed two kinds of tools:

- the micro-donation card: donation to a local solidarity organization or to a public/private partnership on a local scale;
- the salary donation: "automatic data processing", that gives employees the ability to donate the cents saved from rounding up their net income.

NGOs and associations in France suffer from public subsidiaries drying up and mostly use collections on public roads and email campaigns to raise private donations. However, given the evolution towards new technologies, new generations are less likely to use paper forms to donate.

**Béatrice de Durfort** recalled that the **French Center for Funds and Foundations** is an association that aims to bring together all stakeholders, operators and distributors, in order to promote their action and to develop best practices, enabling them to strengthen their impact to the benefit of common good. The Observatory of Foundations and Endowment Funds recently published the third issue of the sector overview report, the unique benchmark of a sector that is still rather unknown in France. It measures the extent to which foundations are involved in the Millennium Development Goals (MDGs). Fight against poverty starts with the action and commitment of foundations in France where needs are greatly increasing.

**Béatrice de Durfort** also commented that the notion of "public benefit" as it is used for fiscal incentives –and the administration's restrictive interpretation and application of this term – are not supporting the international intervention of foundations. She finally stressed different perspectives on the initiatives of French foundations:

- They are increasingly involved in social action. However, poverty is

addressed by specific policy areas (health, access to water, food, fight against illiteracy, etc.), not globally, hence it is difficult to measure the overall contribution of the foundations in this regard.

- Foundations think more and more in terms of cooperation and synergies to reach critical levels and to have an actual impact on the issues they intend to deal with.
- They tend to multiply their means of action, for instance through large-scale deployment of project engineering and innovation in project implementation. The boundaries between the profit and non-profit sectors are shifting towards a better understanding of the problems, though not without hindering the actors' grasp of these issues.

According to **Béatrice de Durfort**, philanthropy is the mirror of society: today, are we willing to accept the idea that the economy must be at the service of man, and not the other way around?

**Michel Soublin** considers that private aid is possible if and only if the donors trust the organizations that receive the donations. It is a fundamental question that emerges from opinion polls: wariness is considered a barrier to giving. The purpose of the **Comité de la Charte du Don en Confiance** (independent committee for trust in voluntary donations), which is 20 years old, is to establish rules of ethical conduct for the profession and ensure their enforcement. Thus, their objective is to make sure that organizations do what they say and say what they do. Seventy organizations are entrusted by this committee, including OXFAM, Entrepreneurs du Monde, le Secours Catholique, etc.

According to **Michel Soublin**, one of the obstacles to the effectiveness and efficiency in the fight against poverty is the excessive multiplication of the number of associations and foundations. This curbs the incentives to donations and scatters both skills and resources.

**Judith Symonds** recalled that the official development assistance (ODA) in OECD countries represents 25% of the total commitments in developing countries. The remaining 75% is covered by private philanthropy, migrants' remittances, and capital investment. The top donor is the United States, with \$26 billion in public aid and \$37 billion in private aid.

Bill Gates recently prompted the French to press on their government to increase international aid. This is a promise for the future and an incentive to meet the objective of giving 0.7% of our gross domestic product (GDP) to international aid (which corresponds to the contribution of OECD countries for the Millennium Development Goals). France's contribution today is 0.39% of its GDP.

Through the "Giving Proof" campaign, Bill Gates seeks to highlight the best

practices in international development, the role of private philanthropy in the proliferation of public funds, increased coordination, and the impact of international public and private aid through strategic philanthropy.

**Judith Symonds** raised the question of the value added of private aid compared to public aid. According to her, private aid can:

- provide greater freedom, by incubating new models and subsequently scaling it up with the help of public authorities;

- make aid more effective through evaluation, communication of best practices, etc.;
- create competition in the public aid sector;
- play the part of a watchdog;
- facilitate public-private partnerships and encourage collaborations.



## Questions

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The evaluation of the efficiency of public aid ensures that all stakeholders are aligned towards the same goals. For instance, the Observatoire Des Non-Recours aux Droits et Services (ODENOR, Observatory of the Non-Use of Rights and Services), created by the Grenoble Institute of Political Studies aims to question the effectiveness and suitability of public initiatives on the matter of the non-use of social rights (i.e. any person eligible for social benefits and who does not receive them anyhow).

**Michel Soublin** recalled that this assessment should also address the effectiveness of the organization: is the board thinking about the effectiveness of its organization and not just that of its projects? This is especially relevant to philanthropists who question the use of the donations. These philanthropists are adhering to an investment logic.

**Arnaud Poissonnier** stressed that U.S. and English citizens are respectively 19 and 15 times more likely to give than French citizens (private philanthropy). Yet, the level of taxation for Americans is almost equivalent (slightly

below, all taxes included). According to him, there is a link between the concept of "Welfare State" in France and the relative smallness of private philanthropy in this country.

**Béatrice de Durfort** added that we must be more compliant with the donors: giving should not be considered obvious because the donor makes money. Initiatives such as L'Oréal (on AIDS awareness) or danone.communities must provoke a ripple effect, especially for private donations.

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