P.L.RAJ IAS & IPS ACADEMY

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4. Philanthropy As Risk Capital in Asia - Bridging Innovation to Impact - Economy

1. Why in News

1. Report "Philanthropy as Risk Capital in Asia - Bridging Innovation to Impact" released at Philanthropy Asia Summit
2. Prepared by Centre for Asian Philanthropy and Society (CAPS), commissioned by Philanthropy Asia Alliance (PAA)
3. Highlighted growing role of philanthropy funding high-risk social innovations across Asia
4. Asia faces USD 200 billion annual climate adaptation financing gap
5. Philanthropic initiatives impacted 210+ million people across 13 Asian economies
6. Sectors - Climate adaptation, healthcare, housing, waste management, water access, digital inclusion

2. Key Findings of Report

Basis of Study

1. Based on 10 case studies, 37 interviews with philanthropists, social enterprise founders, fund managers, programme leaders
2. Comprehensive assessment of philanthropic landscape across Asia

Filling Gaps Left by Governments and Markets

1. Philanthropy increasingly filling spaces where governments unwilling/unable to take risks
2. Commercial investors do not yet see profitable returns
3. Bridging funding gap between public welfare and private profit

Philanthropy as "Risk Capital" in Asia

1. Termed "risk capital" because funds innovative, high-risk social projects
2. Governments and private investors often unwilling to support initially
3. Patient capital accepting uncertain returns, long timelines
4. Catalysing innovations later adopted by mainstream funders

Asia's Climate Financing Gap

1. Asia faces USD 200 billion annual climate adaptation financing gap
2. Traditional funding sources insufficient
3. Philanthropy critical for climate resilience, adaptation projects

Expanding Social Impact

1. Philanthropic initiatives impacted 210+ million people across 13 Asian economies
2. **Sectors -** Climate adaptation, healthcare, housing, waste management, water access, digital inclusion
3. Scale demonstrating philanthropy's transformative potential

Importance of Government Alignment

1. Philanthropic projects achieve greater legitimacy, scale when aligned with government priorities, public programmes
2. Public-philanthropic partnerships amplifying impact

3. Integration into national strategies ensuring sustainability

Rise of Innovative Financing Models

1. Asian philanthropists moving beyond traditional donations, grants
2. **Toward -** Concessional debt (below-market interest rates), equity financing (ownership stakes in social enterprises), blended finance models (combining philanthropic, commercial capital), social impact investing (measurable social returns)

Important Examples Highlighted

1. **Indonesia—Dengue Control -** Tahija Foundation funded Wolbachia bacteria research reducing dengue transmission ~77%; integrated into national health strategy
2. **India—Digital Inclusion -** Tata Trusts supported Haqdarshak under Digital India initiative improving welfare scheme access for vulnerable communities
3. **China—Waste Management -** Vanke Foundation supported INSPRO under zero-waste city initiative promoting waste management innovation through government partnerships

3. What is Philanthropy?

Definition

1. Literally "love of mankind"
2. Voluntary donation of money, resources, time, expertise by individuals/organizations promoting social welfare
3. Addressing public challenges - Poverty, education, healthcare, environmental protection

Modern Focus

1. Long-term social impact (beyond immediate relief)
2. Innovation and experimentation (pilot projects, new approaches)
3. Capacity building, institutional support (strengthening organizations, systems)
4. Public-private collaboration for sustainable development

Examples

1. Tata Trusts - Digital inclusion initiatives India
2. Bill & Melinda Gates Foundation - Healthcare, vaccination globally
3. Azim Premji Foundation - Education, teacher development India

4. Views on Philanthropy

Indian Perspective

1. **Arthashastra (Chanakya) -** Rulers allocate one-sixth revenue for public welfare
2. **Swami Vivekananda—Daridra Narayana -** Serving poor = serving God
3. **Mahatma Gandhi—Trusteeship Theory -** Wealthy act as trustees of societal wealth
4. **Hinduism -** Daana (charitable giving), dakshina (alms)
5. **Islam -** Zakaat (obligatory charity), sadaqaat (voluntary charity)
6. **Buddhism -** Bhiksha (alms-giving) as moral-spiritual duty
7. **Sikhism -** Langar (community kitchen), service to humanity

Western Perspective

1. **Virtue Ethics -** Generosity, compassion, benevolence as moral virtues
2. **Immanuel Kant—Kantian Ethics -** Helping others = moral duty
3. **John Rawls—Justice as Fairness -** Prioritize most disadvantaged
4. **Utilitarianism -** Maximize happiness for greatest number
5. **Libertarianism -** Voluntary philanthropy superior to state welfare

5. Philanthropy in India

Tradition

1. Long-standing tradition rooted in Dana (charitable giving), Seva (selfless service)
2. Recent expansion through Corporate Social Responsibility (CSR), institutional social investments

Key Legal and Institutional Frameworks

1. **Indian Trusts Act, 1882 -** Governs private trusts; defines trustee roles
2. **Societies Registration Act, 1860 -** Legal status for non-profit societies (education, culture, welfare); enables NGO registration

Companies Act, 2013 -

3. Section 8 - Non-profit companies for charitable purposes
4. Section 135 CSR - Eligible companies spend 2% average net profits on social development

Income Tax Act, 1961 -

5. Section 12A/12AB - Tax exemption for charitable institutions
6. Section 80G - Tax deduction for donors

Need for Philanthropy

1. **Filling governance gaps -** Support education, healthcare, disaster relief where public delivery inadequate
2. **Supporting high-risk innovation -** "Risk capital" for experimental solutions (climate, health, digital inclusion)
3. **Reducing inequality -** Scholarships, livelihood programs, skill development for marginalized
4. **Strengthening civil society -** Supporting NGOs, grassroots movements
5. **Rapid humanitarian response -** Mobilizing funds during disasters, pandemics faster than state
6. **Encouraging inclusive development -** Human dignity, gender equality, environmental sustainability
7. **Complementing CSR -** Mobilizing private wealth for public good
8. **Promoting long-term change -** Patient investment in structural reforms, institution building

6. Challenges Associated with Philanthropy

1. **Regulatory barriers -** Complex compliance (India's FCRA affecting NGO foreign funding)
2. **Corporate dilemma -** Philanthropic spending vs shareholder profit maximization
3. **Limited awareness -** Inadequate understanding of blended finance, impact investment
4. **Lack of transparency -** Weak governance, disclosure systems in some initiatives
5. **Weak public accountability -** Limited oversight reducing accountability
6. **Absence of independent evaluation -** Lack of robust monitoring, impact assessment
7. **Risk of policy influence -** large philanthropists disproportionately influencing policy without democratic accountability
8. **Uneven regional access -** Urban concentration leaving remote areas underserved
9. **Dependence on donor priorities -** NGOs altering programs to align with donors rather than community needs

7. Way Forward

1. **Strengthen regulatory clarity -** Transparent, enabling regulations for impact investing, blended finance
2. **Promote public-philanthropic partnerships -** Collaboration among governments, NGOs, philanthropists, social enterprises
3. **Enhance accountability -** Transparency, ethical governance, outcome-based evaluation
4. **Support innovation ecosystems -** Institutional support for early-stage social innovations
5. **Leverage technology -** AI, digital platforms, evidence-based monitoring

6. **Encourage grassroots participation -** Community-based philanthropy, local participation
7. **Build capacity -** Training, mentorship, financial support for social enterprises
8. **Increase awareness -** Financial literacy initiatives expanding understanding of impact investing

8. Conclusion

Philanthropy as risk capital emerging critical force addressing Asia's developmental, climate challenges. Report highlights philanthropy filling gaps where governments-markets unwilling, funding high-risk innovations impacting 210+ million across 13 Asian economies. Asia's USD 200 billion annual climate financing gap requires innovative models—concessional debt, equity financing, blended finance, social impact investing. Examples include Indonesia dengue control (77% reduction), India digital inclusion (Haqdarshak), China waste management innovation. Challenges include regulatory barriers, limited awareness, transparency concerns, uneven access. Way forward requires strengthening regulatory clarity, promoting public-philanthropic partnerships, enhancing accountability, leveraging technology ensuring philanthropy accelerates inclusive, sustainable development complementing state efforts with transparent governance aligned to public welfare objectives.

Source - https -//www.thehindu.com/news/national/philanthropy-in-asia-emerging-as-risk-capital-for-social-innovation-report/article70992392.ece