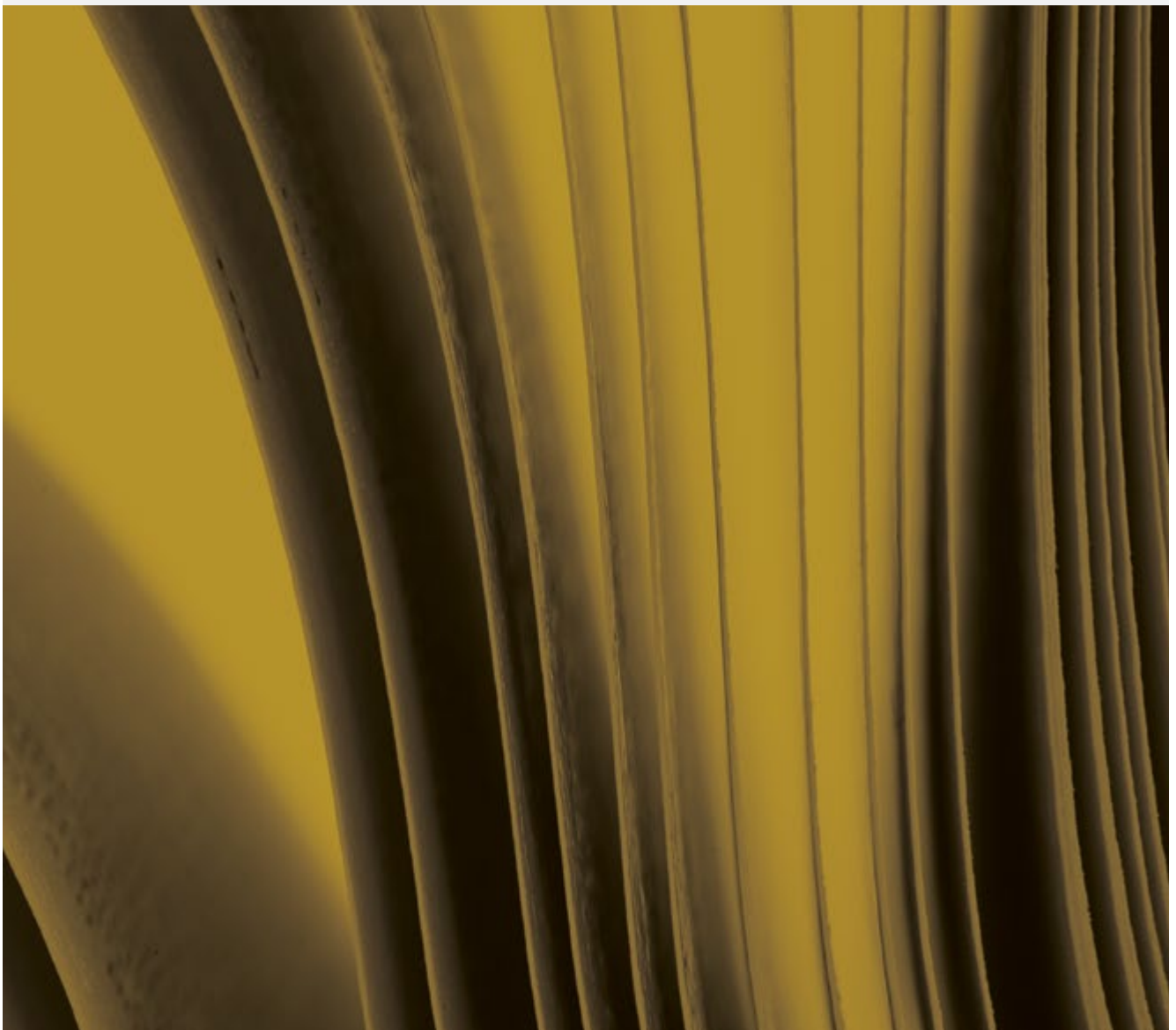


The giving chain: How philanthropy is driving progress in Asian education

An Economist Intelligence Unit report, commissioned by Credit Suisse

Written by The Economist Intelligence Unit



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Executive summary

Philanthropic giving is driving significant progress in Asia's education sector, as it becomes more professional, more disruptive and better complements the continent's economic development.

Education is widely seen as the main driver of long-term social impact in Asia, and educational philanthropists are increasingly targeting innovative projects that help marginalised and deprived communities. Specifically:



01

Educational giving is becoming more sophisticated and professional.

Modern management and impact-evaluation techniques are making educational philanthropy more systematic and effective. Individual philanthropists and their foundations have a deeper understanding of how they can effect change, supported by a new intermediary tier of organisations that act as expert matchmakers between givers and projects, and offer expertise in areas such as logistics, administration and impact measurement. Educational institutions such as universities are also becoming more professional in developing and engaging alumni networks and fund-raising.

02

Educational philanthropy is addressing problems along the entire educational value chain.

Philanthropists are giving to areas beyond physical infrastructure, branching into less tangible spheres such as policy-level initiatives and curriculum development, as well as capacity-building, such as scaling up educational systems and models and training teachers. This is due to an enhanced level of engagement among givers, beyond the low-hanging fruit of material gifts, into areas of greater added-value. A newfound emphasis on key performance indicators (KPIs), largely driven by tech-savvy younger philanthropists, is boosting effectiveness and measurable returns.



03

Educational philanthropists and organisations are creatively working alongside governments, as well as with each other and NGOs, to complement Asia's rapid economic growth.

Sophisticated philanthropists do not just look at projects in areas untouched by governments. They are now finding ways to work with under-resourced governments to create greater and more systematic educational impacts, helping students unlock opportunities from economic growth. This often involves partnerships with NGOs, leveraging their expertise, experience and resources to effect change through complex projects with broader societal reach.

04

Philanthropists and NGOs are developing new approaches to funding their projects.

Philanthropists are employing innovative solutions in partnership with NGOs in order to tackle hurdles such as government corruption within the funding infrastructure. Regulatory and tax regimes in some countries and regions are particularly supportive of giving, and philanthropists are utilising this largesse. Some use competitive prizes to raise awareness of and spur interest in particular issues.

About the report

This report is based on a series of interviews with philanthropists and leading workers within the sector, conducted from August to September 2016. The EIU would like to thank the following individuals (listed alphabetically) for sharing their insight:

- James Chen, co-chair, Chen Yet-Sen Family Foundation
- Nicola Crosta, executive vice-president, Epic Foundation
- Marc Thomas Jenni, co-founder and head of operations, Child's Dream Foundation
- Lakshminarayana K R, chief endowment officer, Azim Premji Foundation
- Edward Man, founder, ChickenSoup Foundation
- Daniel Marco Siegfried, co-founder and head of projects, Child's Dream Foundation
- Bernadette Tsui, honorary professor of practice, faculty of social sciences, The University of Hong Kong and executive director, The University of Hong Kong Foundation for Education Development & Research
- Dien Yuen, managing director, Kordant Philanthropy Advisors



Introduction:

The drivers of Asian educational philanthropy

Rapid economic growth in Asia has created large numbers of high net worth individuals (HNWIs) who are looking to use their wealth to secure their legacy and create beneficial change.

This is motivated by gratitude, reputation building, family unity, tax benefits and the simple desire to help the disadvantaged. Education is considered the single largest target of philanthropic giving in Asia, according to various surveys of HNWIs and anecdotes from across the sector, reflecting new needs and challenges in the region.

An increasing number of newly rich Asians are making their own fortunes rather than inheriting wealth, and see educational giving as a vehicle to help others climb out of poverty. There is a distinctly Asian element to the preference for educational giving, as education tends to be highly valued in Asian cultures and plays an easily-understood role in social development. The emphasis on familial ties in many Asian communities means children and youth receive a great deal of solicitude from older generations.

The means to reach these young people are shifting however, away from rewarding institutions such as universities with specific ties to the giver, towards more developmental projects that target the neediest. This trend is connected to rising awareness of the wider social impact of education, the emergence of a younger generation of givers with more experience of life in different countries, and the example set by high-profile Western philanthropists such as Bill Gates. Although younger givers often target more international projects in under-developed areas with no personal links, there is still a strong tendency to look for projects in familiar geographies. There is a general expectation for the wealthy to give back to their own communities, and many philanthropists

feel more comfortable dealing with areas that have challenges and political systems they understand.

Aided by a large global philanthropy support industry, educational givers are developing a more sophisticated understanding of different aspects of education and the potential for greater impact through targeting areas such as teacher training or early childhood learning. More granular data, delivered via technologically-innovative platforms, are allowing givers to frame educational challenges and design appropriate solutions, taking into account variables such as statelessness or communities without historic experience of formal education.

Not all philanthropic givers have the knowledge and skills to run their own specific projects. Organisations such as Epic Foundation, Kordant Philanthropy Advisors and the Asian Venture Philanthropy Network (AVPN) all act as expert matchmakers. Givers can use their services to understand the range of challenges they can address, link opportunities to their own resources and inclinations, and co-fund more complex ventures. These groups offer specialised tools to help philanthropists select projects, monitor outcomes and gain a more thorough understanding of the issues on the ground.

Impact along the value chain

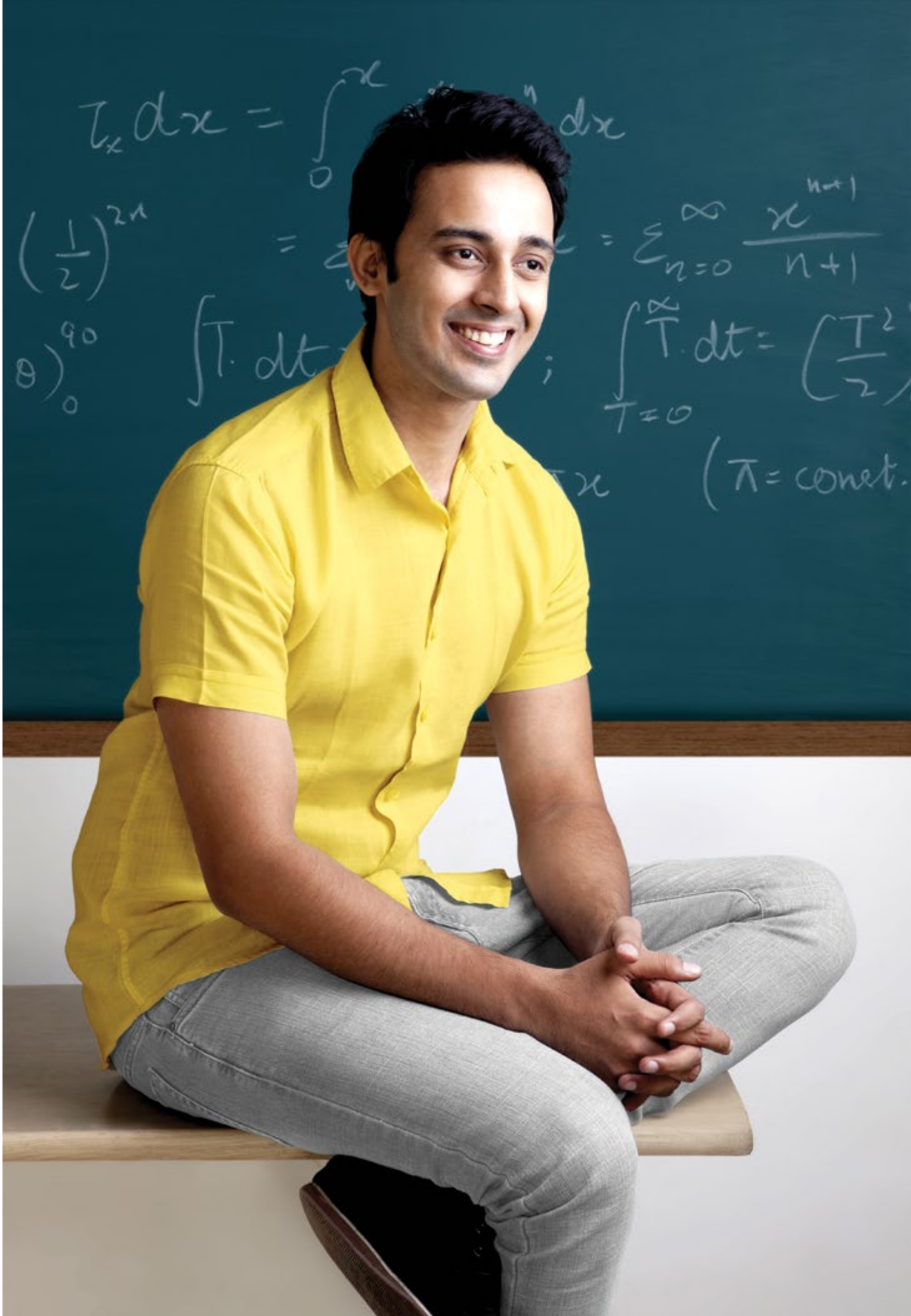
An education system consists of far more than just classrooms and books. The entire value chain extends up to an administrative level, usually centred on a Ministry of Education, and branching out to a regional bureaucracy. This administration can control areas such as education budgets, teacher training and curriculum development. As the professionalisation of educational giving in Asia increases, philanthropists are taking more agency in evaluating links along this value chain where they feel they can best intervene.

James Chen, founder of the Chen Yet-Sen Family Foundation, which focuses on early childhood literacy by developing libraries and reading programmes, is one such philanthropist. He aims to break down the conservatism within the East Asian education system, in which information flows only in one direction from teachers to students. He believes that libraries can help children's ability to learn for themselves and stimulate an early enjoyment of reading. The Foundation's projects, which also include experiential learning programmes, are a good example of how a philanthropist can formulate a novel strategy to change the way education is delivered. "It's a privilege to be able to take on issues that are not necessarily mainstream," Mr Chen says.

Libraries comprise one under-resourced link in the value chain, but are hardly the only aspect to benefit from well-targeted philanthropy. India's Azim Premji Foundation focuses on teacher training, as the teacher is often seen as the single greatest point of contact with the child

and as a crucial bond between the community and government. Lakshminarayana K R, the Foundation's chief endowment officer, says if teachers are well-motivated, they can be its ambassadors on the ground and more importantly, a valuable multiplier of its efforts. Philanthropists looking to create systemic change within communities can achieve this multiplier effect by investing in organisations focused on teacher training, improving the human capital at the centre of education.

Younger givers in particular are looking for ways to create deeper systemic change, rather than simply writing blank cheques like their forebears did. Marc Thomas Jenni, the co-founder of Child's Dream Foundation, which focuses on isolated and marginalised communities in the Mekong Subregion, explains the change in priorities: "Young philanthropists do not want to do 'charity' anymore; they want to do social entrepreneurship, microfinance, impact investment, and that means looking at the entire value chain."



Measures and key performance indicators (KPIs)

As novel, data-driven modes of philanthropy gain popularity, they are spurring change in the way givers track the return on their investment, via sophisticated, technologically-driven KPIs largely taken from the business world. NGOs are at the forefront of this trend: Child's Dream's approach involves follow-up assessments every two months to a new school to monitor variables such as teacher performance.



Hong Kong's ChickenSoup Foundation, founded by Edward Man, a former private equity executive, is also driven by sets of KPIs ranging from absentee rates among students to exam results and university admissions.

Improvements in measuring outcomes are the most important aspect of increasing professionalisation within philanthropic organisations, says Mr Lakshminarayana. "Managers are now able to put up a framework that measures inputs, outputs, outcomes and impact," he says. "It's making the entire operation far more actionable, with expectations better understood." Dien Yuen of Kordant Philanthropy Advisors, which helps philanthropists find projects and NGOs to invest in, says that 80 percent of their work involves this type of analysis and performance measurement.

Epic Foundation, another matchmaking organisation, employs various tools to give philanthropists the best understanding of how and where to spend their money. Epic's executive vice-president, Nicola Crosta, says these tools address the three biggest challenges facing philanthropists: Selection, monitoring and experience. They allow philanthropists to perform due diligence on projects, track and measure impacts, and understand how they are working on a day-to-day basis through creative products like apps and virtual-reality films and interactive experiences such as site visits. "These tools are important for the new generation who want greater involvement with their projects," Mr Crosta says.

Most of these metrics are possible due to new technologies allowing up-to-the-minute monitoring, project management, evaluation and feedback. A new class of NGOs in this space has a distinctly "disruptive" bent: Epic, for example, was founded by a former technology entrepreneur; while AVPN has developed a platform that allows its members to share, promote and connect with NGOs and social entrepreneurs; and Edtech Asia is examining new ways in which technology can be used to develop new models of financing for educational projects.

Disrupting education in Asia

Most education in Asia is funded and organised by governments, which tend to be conservative and slow to evolve. Philanthropists can fill an important gap in education systems by spurring innovation and creative change that would not otherwise happen. They may be able to employ a disruptive new educational model that targets younger children who do not otherwise attend school, for example, or leverage emerging technology to improve the quality of teaching.

Nimble and more responsive to trends, philanthropists can take advantage of new technologies in ways that public education systems cannot. Charity programmes that take advantage of the rapid spread of cheap smart phones within relatively poor communities, for example, have the potential to allow high-quality teaching materials to be disseminated, allowing for interaction both in and out of school. According to Mr Man of ChickenSoup, such technology can also help compensate for teacher shortages, allowing different students in the same class to learn at a different pace with a selection of online modules, or by covering subjects that are unfamiliar to staff. New technologies can also have an impact beyond the classroom: Software is being developed that can help identify young children with special needs,

so they can be treated much earlier, rather than waiting for parents or teachers to recognise their symptoms.

Ms Yuen of Kordant believes that philanthropic projects can support the needs of the whole community by leveraging these new technologies. For instance, Ms Yuen says one NGO in rural India is furnishing schools with computers, allowing students to access the most up-to-date vocational resources to help increase farming productivity, as well as assist their conventional studies. Some philanthropic projects include classes in coding, while a Hanoi-based NGO, Reach, trains disadvantaged young people in web and graphic design, matching their skills to new demands from Vietnamese industry.

However, there are limitations to the benefits of technology in many educational systems throughout Asia. Daniel Siegfried, Mr Jenni's co-founder at Child's Dream, notes that many online materials are only available in English. The simple lack of electricity in many remote schools is a further hurdle. Mr Siegfried believes that his organisation should first prioritise teaching crucial life skills such as critical thinking, problem solving and applied mathematics, alongside English and computer skills.

Dealing with the state

Philanthropic projects often involve complex relationships with the state, which traditionally controls education.

Some governments may resist certain projects if they perceive that these projects will highlight their own failings, or undermine their authority.

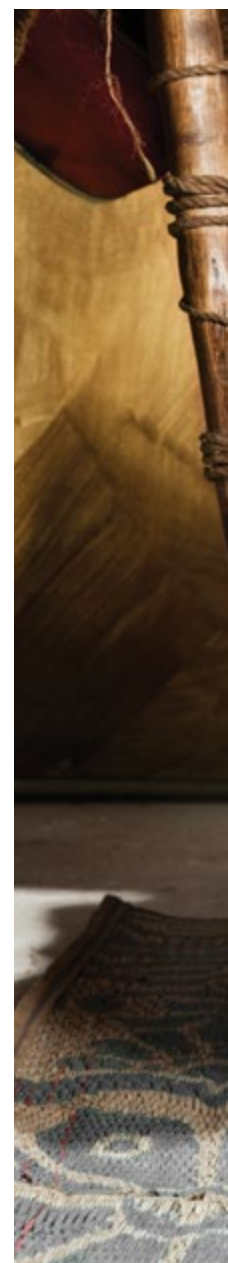
China, for example, keeps far tighter control of education in the well-connected eastern seaboard than in the under-developed west. Mr Crosta of Epic says philanthropists need to understand the role of government, and seek to support rather than shape the agenda.

Awareness of government sensitivities can guide philanthropists towards projects that are not perceived as threatening to the system. As the Chen Yet-Sen Family Foundation tackles literacy via library-building, it is not seen as encroaching on the core educational responsibilities of the Chinese government. Mr Chen says that sensitivities and government control are more acute at higher levels, such as universities and tertiary education, as compared to primary and early-childhood stages.

The Child's Dream Foundation shows how explicit collaboration with the Mekong area's governments can work. It enlists the help of government early on in its projects, getting assurances that if the Foundation builds a school, the government will provide the teachers and help maintain it. Mr Jenni argues that if there was no partnership

with government, a school project would not be sustainable. "It's the country's problem that their kids aren't getting an education," he says. "The government may not have the financial resources to build infrastructure, but they do have the resources to provide a curriculum and pay for the teacher." The Foundation then makes sure that it monitors its projects independently of the government.

In other places, public money may be good at creating institutions and infrastructure, and at providing operational expenses, but it is less good at new, risky or marginal investments, according to experts. Early childhood education is an example of how philanthropists can address a challenge unmet by the authorities, who often concentrate their resources at higher age groups. The Azim Premji Foundation targets remote areas and focuses on the type of projects that a risk-averse state system finds hard to fund. "Philanthropic capital can never match the resources that governments can invest," says Mr Lakshminarayana. It can, however, allocate the funds more effectively.





Non-governmental organisations (NGOs) and philanthropist collaboration

As well as dealing with governments, philanthropic projects will usually involve working with multiple stakeholders, ranging from other NGOs and local communities to a foundation's own board members. There are real benefits from collaboration, such as realising economies of scale on larger projects, or tapping into the expertise and resources of others.



Collaboration with a different NGO or foundation may allow for philanthropists to link and address multiple social issues simultaneously, thus helping collaborators find common ground on both methods and goals. For instance, a donor may seek a project aimed at helping young Thai girls who have become prostitutes, and work with others who have the same aim. As well as helping those already in the sex industry, this project may also involve strengthening educational services in the girls' communities, thus creating systemic change that gives other girls opportunities beyond sex work. Such a project might require significant work to align collaborators on how they apportion their resources between these two approaches.

Juggling the various stakeholders involved in a project can be difficult, and intermediary

organisations can provide both advice and insights to philanthropists with little experience of such relationships. This includes developing an understanding of every potential contact point for a philanthropist's money, from the state to the NGO to the final beneficiary. Mr Jenni exhorts HNWI to maintain a discerning eye toward the NGOs they work with in particular, rather than give indiscriminately out of a sense of moral obligation. "The moment [HNWIs] start doing philanthropy, they often switch off their business mind and switch on their heart," he laments.

The best NGOs are transparent about their collaborative efforts and well-integrated into the communities they aim to serve. Child's Dream has built up an understanding of the myriad stakeholders involved in its educational projects



over many years. Its due diligence process recognises the interests and involvement of parties such as local authorities, the areas where its schools are to be built and the Ministries of Education in the countries in which it operates. Labour and construction materials are sourced locally where possible, and domestic NGOs are enlisted to help with establishing and running the schools in some cases. Such projects require sensitivity over the workings of the local economy, especially if the project involves significant amounts of money.

Working with others is also important within a self-funded philanthropic organisation. Many Asian philanthropic foundations are family entities, which can bind a family together and generate cross-generational insights. However, Mr Chen warns

that a purely family-run foundation can be vulnerable to internal family arguments and can be closed to insights from the outside world. He suggests involving outsiders on foundation boards, and says their public involvement also makes family members more focused. "The family members behave better, because there are outsiders looking in," he says.

New approaches to funding

Philanthropic givers need to understand how different approaches to funding can affect their outcomes. If, for instance, there is a lack of trust in a government, such as in places with unstable governments like Myanmar, giving might be less formal, and may simply involve cash gifts on the ground.

However, the use of cash can encourage bribery, as Mr Siegfried found in one project in Laos where prices for materials such as cement were all inflated by 30 percent thanks to the involvement of corrupt local officials. “We usually want to source locally, but because prices were so high we had to threaten to buy from the neighbouring community,” he says.

On the other hand, governments can play a nurturing role on the supply side of philanthropic spending. Some governments such as Hong Kong’s have used schemes to match donations, especially if they are aimed at higher education. Singapore has a supportive regulatory and tax system, and has set up an online portal to assist giving, known as ‘SG Gives’. Although it employs an 80:20 rule, where 80 percent of any public money raised by NGOs has to be spent within Singapore, this can be waived for private donations. India is making progress in adapting its tax system to encourage philanthropy, while Indonesia has more limited incentives. Philanthropists need to be aware of the role that governments play in controlling the flow of charitable funds in their countries; matchmaking organisations can help them sort through these rules.

One relatively new funding model in Asia is the use of prizes to stimulate innovation and draw attention to an issue. The highest profile of these is the Yidan Prize, established by one of the founders of Chinese digital giant Tencent Holdings, Charles Chen Yidan. He launched the Yidan Prize in 2016 as the world’s largest educational award, with prizes for both research and development, backed by an endowment of US\$320 million. Other prizes have been established on a more modest scale. The Chen Yet-Sen Family Foundation complements its focus on literacy with the Feng Zikai Chinese Children’s Picture Book Award. This is aimed at highlighting the educational importance of reading original Chinese language children’s picture books to the public, whilst celebrating and recognising talented writers and illustrators of outstanding picture books. Mr Chen is a strong believer in such prizes but warns that they can be complicated and difficult to run. He advises beginning by conceptualising the prize rigorously, and drawing up a strict set of rules.





Higher education and philanthropic engagement

Although the focus of Asian educational philanthropy is moving towards developmental projects, educational institutions still attract significant philanthropic funds. Institutions are learning lessons from universities in the United States, and are becoming more professional in courting private donors ranging from HNWIs to less wealthy alumni.

Bernadette Tsui, executive director of the University of Hong Kong (HKU) Foundation for Educational Development and Research, says that universities are well-regarded by philanthropists as they are established, trusted and often played important roles in the lives of the givers. However, as government funding for education tends to be fixed, attracting private funding to an institution such as HKU is vital if it wants to develop and innovate, for instance by establishing a new department or research frontier.

Ms Tsui says that donors are increasingly willing to give to disparate links along the value chain, beyond simply brick-and-mortar projects. Ten years ago, when HKU began to raise money for professorial endowments, many donors still preferred donations that were concrete and visible. Now endowments for professorships, notably in support of various disciplines of research ranging from architecture to engineering have gained traction and 86 have been funded. Challenges remain, however: Beyond medical faculties, it can still be difficult to raise money for "blue sky" research; the humanities are also less endowed. Ms Tsui notes that if a donor gives several million for scientific aims, it can be hard to present them with a specific outcome within a fixed time frame.

Actively courting smaller-scale donors opens doors for funding schemes that go well

beyond the one-off projects of years past. HKU's Centennial Campus, for example, relied heavily on private funding, from large single injections of between 300 million and 500 million Hong Kong Dollars (US\$38 million to US\$65 million), to 2,000 small donations for single, personally-named bricks. Ms Tsui says this kind of engagement is crucial, as it makes an institution feel like more of an inclusive project, rather than just something associated with high-profile gifts. It also helps the school expand far beyond its relatively static government budget allows. Around 10% of HKU's operating resources now comes from the private sector.

Ms Tsui says that only recently have people in Asia begun to realise that private donations are what help an institution like HKU excel. She argues that it is the duty of top universities to show governments that they have the rigour and ambition to attract money, whether from HNWIs or thankful alumni of lesser means.

Conclusion:

Unlocking Asia's potential

Although Asian philanthropy lags behind systematic giving in countries such as the United States in both scale and impact, it continues to grow fast, utilising practical insights and organisational advances from around the world. Educational philanthropy in Asia is also shifting focus, from giving to familiar institutions to trying to achieve systemic developmental change for the continent's poor and under-privileged.

It is now more professional and able to target niches along the entire educational value chain. Organisations such as Kordant, Epic and AVPN have made giving more efficient and responsive to need.

This potent mixture has allowed philanthropy to play an increasingly important role in developing Asia's educational system. Generosity today will show returns well into the future, creating deep-rooted change that can branch out into other parts of society. Some of the best projects are focused on specific goals rather than being open-ended: Mr Siegfried of Child's Dream even predicts that his ambitious drive for universal education in the Mekong Subregion will succeed within his lifetime.

Philanthropists are gaining a better understanding of the various stakeholders involved in charitable initiatives, as well as the risks and rewards of government engagement. They are introducing

technological, organisational and practical innovations that state education systems are not able to provide. Business methodologies such as impact assessment and KPIs have helped givers achieve more bang for their buck. Universities and other educational institutions are becoming more pro-active and inventive in their search for private money that can unlock transformational change in academia. Philanthropists and donors are now seen as an essential component of growth for world-class Asian universities.

More opportunities are opening up for smart philanthropic giving to complement Asia's economic development through improvements in education. Many newly wealthy Asian entrepreneurs are yet to apply their dynamism and drive for results to philanthropic enterprises, although current trends will result in more doing so. Asia's least advantaged children may have the most to gain from their involvement, but all will benefit.



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