



FONDATION  
DE LUXEMBOURG

Philanthropy in action

**‘There’s enough on this planet for everyone’s needs but not everyone’s greed.’**

Mahatma Gandhi

As we write these lines, 2016 is ending with a worrying signal to the world. Concerns over rise of intolerance and extremism combined with increased geopolitical tensions threaten the very core values on which our democratic societies are built. It is worth reminding that civil society organisations along with foundations, NGOs and associations have a key role to play in promoting universal principles of human rights, peace and democracy no matter the political context.

It is also true that the growing threats from climate change and rapid population growth mean that it is no longer possible to keep doing things the same old way. If we want to leave a sustainable and peaceful world for our children, it will require different actors, both on a local and global scale to team up, learn from past experiences and find solutions that can be shared by all. The *Sustainable Development Goals, SDGs* have been designed by the United Nations to lay the grounds to collectively address the increasingly urgent global challenges we are facing and foundations are especially well placed to test new approaches. Bathylle Missika, Head of the OECD Partnerships and Networks Unit explores the role foundations can and must play in addressing these goals.

The increased volatility of the global financial markets and the current low interest rate environment presents new challenges for foundations in ensuring stable revenues for their project support. We asked Kate Rogers, Head of Policy at Cazenove Charities to explore how foundations should look at risk. In her article, she illustrates various strategies that can be implemented to protect foundations’ assets.

Philanthropy is also about sharing best practices and inspiring others. One such example is the C. Ehrnrooth Foundation, which finances post-doctoral training and research in neurological surgery. This project has been developed under the supervision of Professor Juha Hernesniemi, nominated one of the most prominent neurosurgeons of the last 100 years. In this edition, he shares with us his experience from the C. Ehrnrooth fellowship at the Helsinki Clinical Hospital.

We wish you a pleasant reading.

**Tonika Hirdman**



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# Philanthropy brings more than money to solve the world's greatest development challenges



## Bathylle Missika

is Senior Counsellor to the Director and Head of Partnerships and Networks Unit at the OECD Development Centre. She led the creation of the OECD network of Foundations Working for Development. She also led the OECD network on Governance and held the position of Deputy Coordinator for UNDP's governance Trust Fund. She holds a degree from Sciences Po Paris, an International Affairs degree from Tufts University and an MA in International Relations and Economics from the Johns Hopkins School of Advanced International Studies in Washington DC.

The global community adopted the Sustainable Development Goals (SDGs) last September. The SDGs are not the 2.0 version of the Millennium Development Goals, which aimed to help developing countries solve their main social challenges, such as access to education or health care. Rather, the 17 SDGs are a roadmap for all citizens, North and South, to eradicate extreme poverty and create a better world for all countries. The SDGs spell out challenges rather than sectors where progress needs to be made. SDG 11, for example, focuses on sustainable cities and communities, while SDG 13 focuses on climate action. Admittedly, the bar is high and achieving the SDGs won't be easy. Yet, the SDGs also put forth the way to achieve their bold agenda: by forging partnerships (SDG 17). The effort demands action from citizens, governments, civil society, businesses and the philanthropic community. Given the challenges at hand, none of these actors can solve these issues on their own with money alone, regardless of the amounts.

Foundations understand this reality. To address a number of areas included in the SDGs, philanthropists have given annually an estimated USD 32 billion (OECD, 2014) to tackle some of the world's most pressing development issues, such as malaria or economic and gender inequalities. But money alone is not enough to move the needle. What also counts is the additional value foundations offer through three concrete roles they play as:

**Advocates:** Foundations are at the forefront of raising public awareness through thought-provoking campaigns about the challenges the world faces: unclean water, no access to electricity, poor or no education for girls. Consider the Gates Foundation's multi-year anti-malaria strategy, "Accelerate to Zero", adopted in 2013. It aims to develop new approaches to reducing the burden of malaria and accelerating progress towards eradicating the disease. "With and For Girls" brings together eight organisations – EMpower, Mama Cash, Nike Foundation, NoVo Foundation, Plan UK, Stars Foundation, The Global Fund for Children and The Malala Fund – to support civil society organisations working to improve the lives of girls and their communities. This group is developing a global awards process that will provide a total of USD 1 million to strong, local, girl-led and girl-focused organisations next year. Foundations work to advocate and raise awareness of various causes, even some less present on the public's radar screen. This includes the Kellogg Foundation's advocacy in fighting for racial equality, or efforts by the Ayrton Senna Institute and the government of Brazil in the Rio state to develop soft skills in education to drive success.

**Innovators:** While foundations support a variety of issues, they are especially well placed to test new approaches and experiment with new ideas. They are at the forefront of pushing new ways of doing things – processes, methods, technologies. They can do so because they do not face the same constraints as institutional donors, which are accountable to taxpayers or



tied to the political cycle in the countries where they work. Foundations are more risk-tolerant and can afford to fail and try again with relative flexibility. The Shell Foundation, for example, took an innovative approach in helping young social entrepreneurs develop cookstoves that do not use coal. On the one hand, it supported entrepreneurs through funding, advice, and help with business plans and marketing. On the other hand, it developed the sector itself by targeting the market barriers that impede the production, deployment and use of clean cookstoves in developing countries. It helped create the Global Alliance for Clean Cookstoves

in 2010, which works to save lives and protect the environment through the use of improved cookstoves and fuels. The Alliance aims to switch 100 million homes to clean and efficient stoves and fuels by 2020.

**Impact drivers:** Many foundations find themselves at the forefront of gathering data and evidence to measure results and impact. Philanthropists are investing in truly understanding if what they do is making a measurable difference. Philanthropic giving is increasingly dealt with in a manner comparable to traditional investing. In other words, each dollar has to be

“invested” to maximise impact as if it were a productive investment. Returns are measured in social gains. For instance, the Novartis Foundation has been monitoring impact by conducting some randomised control trials (RCTs). RCTs show whether a particular intervention does or does not work because they compare the outcomes for people who receive it with those who do not. Being able to demonstrate impact has thus become paramount for the philanthropic sector, which is exploring ways to further the monitoring and evaluation in its programmes.

While individual foundations make the case for the value added of their particular efforts and the uniqueness of their approaches, the time is now to optimise philanthropy’s overall, collective contribution to the SDGs as advocates, innovators and impact drivers. Bringing foundations together to share lessons, engage in coalitions and discuss fresh ways to achieve impact at scale through all these means is critical to advancing the SDGs.

Ultimately, achieving the Sustainable Development Goals will need to tap the wealth of impact-oriented philanthropists in a more systemic fashion. And that wealth is worth far more than money.



# The challenges of investing for tomorrow, today



Kate Rogers

is Head of Policy at Cazenove Charities, a specialist investment manager focused on managing assets for Charities, Foundations and Endowments globally. Kate is responsible for sector engagement as well as co-managing a charity investment fund. She has sixteen years investment experience, is chair of the Charity Investors' Group and has co-authored a number of Foundation investment research reports, published by the Association of Charitable Foundations.

*Today's investment environment provides problems for Foundations seeking real returns (adjusted for inflation). With interest rates at historic low levels and diminutive, even negative bond yields; investors are being forced to take more risk than ever before in order to achieve their target returns. Lower returns also promote a focus on costs, and ensuring that the fees paid to investment advisors are compensated for by the value that they add, over and above other passive investment approaches.*

Recently published research from the Donors and Foundations Networks in Europe suggests that there are almost 150,000 registered 'public benefit' Foundations in Europe. These Foundations have a combined annual expenditure of nearly Eur60bn, with 90% of this expenditure accounted for by Foundations in Italy, Spain, France, Netherlands, United Kingdom and Switzerland. The same report puts the total assets of these Foundations at over Eur500bn.

Although definitions, laws and regulations vary across Europe, many of these Foundations share a common aim, to maximise their public benefit. They do this in two main ways, by spending on their projects today, or by investing for the future. In both cases Foundations are seeking to use the assets at their disposal to further their philanthropic purpose.

This raises two simple sounding questions for Foundation investors. What are the assets? And how can they be used to further the purpose

through investment? The most obvious is the financial asset, but that is not the sole asset at a Foundation's disposal. Foundations can also use their reputations to effect change by challenging the companies that they invest in to meet the highest corporate responsibility standards. They can use their people to find interesting and specific new investment possibilities, and they can use their long-term time horizon to take advantage of short-term opportunities.

For the financial assets, investing to gain the maximum philanthropic benefit can be done through targeting a traditional financial return, to support spending; or through directly investing to bring about a desired social impact (social or impact investing). Increasingly, Foundations throughout Europe are using a blended approach, considering both the financial and social return of any given investment choice, most frequently using responsible investment to reflect the aims and values of the Foundation in the investment strategy<sup>1</sup>.

Many European Foundations are established to be intergenerational, as social problems persist from one generation to the next. One way this sense of being tied to future generations of beneficiaries has been expressed in the context of investment is through what has come to be known as a desire to achieve 'intergenerational equity'. This isn't a legal formula, but it is an influential idea first articulated in 1974 by James Tobin, the former Professor of Economics at Yale, in an article on endowment management.

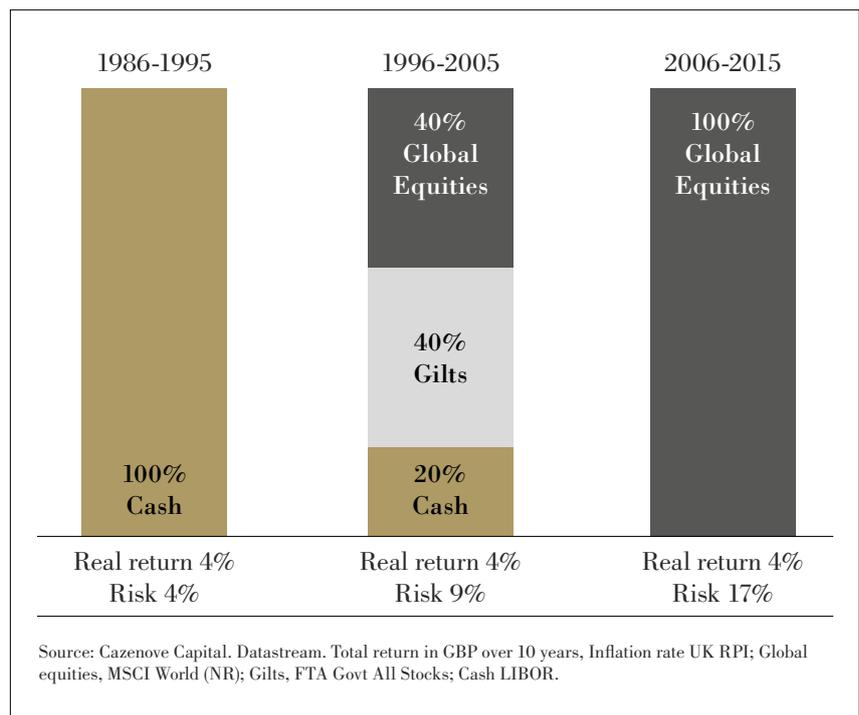
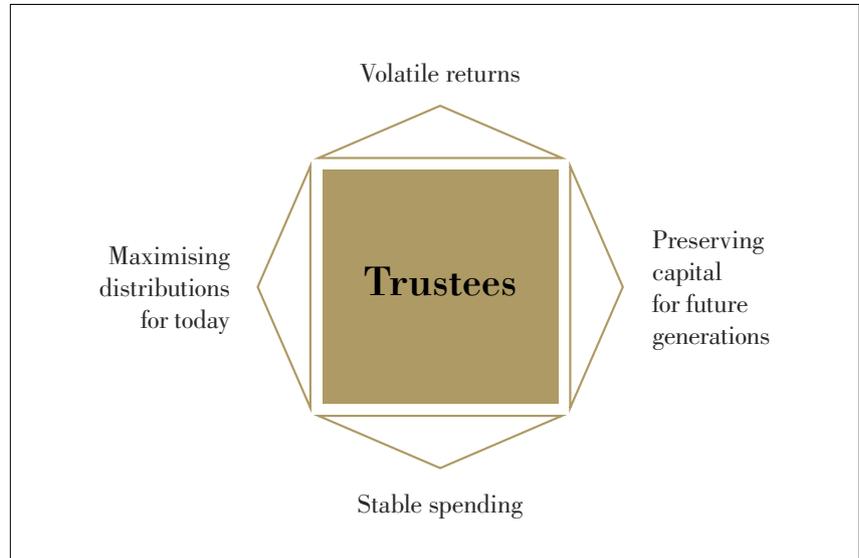
Tobin said *'the trustees of endowed institutions are the guardians of the future against the claims of the present. Their task in managing the endowment is to preserve equity among generations'*

This places trustees in a difficult position, attempting to find the right balance between spending today, and saving for the future, whilst also hoping to translate a volatile return pattern into stable year on year expenditure.

Foundation investment strategies are designed to meet these challenges. Frequently, Foundations aim to at least maintain the value of the investment portfolio in line with inflation; whilst also maximising the spending that they are able to support today. This translates into a long-term financial objective of inflation plus spending. Much research, including my own<sup>2</sup>, has examined how to find the 'right' balance of spending and saving, with history suggesting sustainable spending rates of 4% per annum. Over the last three decades, however, the capital volatility of a portfolio that achieved inflation plus 4% has increased by over 4 times.

**So what is the response?**

Foundations are well placed to rise to these challenges. They benefit from a long-term time horizon, so unlike other institutional investors, corporates or individuals, Foundations are able to look through short term capital volatility, accepting this as a necessary trade off for long term inflation protection. Successful investment strategies consciously tie the investment objective to the aims of the Foundation.



For those seeking intergenerational equity, a long-term financial objective of inflation plus a spending rate could be appropriate. For Foundations seeking to achieve their aims more directly through their investment assets, the strategy may encompass responsi-

ble or social investment. The 'right' strategy will undoubtedly be specific to each Foundation, but sharing the common challenges and opportunities only serves to enhance our collective investment intelligence and hopefully our future philanthropic performance.

<sup>1</sup> See <http://www.acf.org.uk/policy-practice/>

<sup>2</sup> <http://www.cazenovecapital.com/uk/charities/publications/spending-decisions/>

# Enabling excellence in neurosurgery through the C. Ehrnrooth Foundation



## Prof Juha Hernesniemi – The C. Ehrnrooth Foundation

Prof Juha Hernesniemi is a Finnish neurosurgeon and Chairman of the Department of Neurosurgery of the Central Hospital of Helsinki from 1997 to 2015. Before this, he was Senior Physician and Co-Chairman of Kuopio. He studied at the Medical School in Zurich before achieving his PhD in Helsinki in 1979. His extensive experience covers more than 16,000 neurological operations as well as around 350 published articles. Prof Juha Hernesniemi was elected one of the 56 most prominent neurosurgeons in the last 100 years by the journal World Neurosurgery.

**Professor Hernesniemi, can you tell us a few words about your background and the area of neurosurgery?**

I was born in a small village in Finland. What inspired me to become a medical doctor is my admiration for Dr. Einar Filip Palmén, a general practitioner who spent 50 years treating 10,000 people living in a small rural area of Finland. I studied medicine in Zurich. During this time, he worked at the Brain Research Institute focusing on experimental neuroanatomy. Through him, I learnt both the value of research and the use of an operating microscope. Ultimately, I noticed that a career focusing solely on research was not my thing and I decided to become a neurosurgeon.

**What is the C. Ehrnrooth Fellowship and what does it aim to achieve?**

The C. Ehrnrooth Fellowship has been created by the C. Ehrnrooth Foundation under the aegis of Fondation de Luxembourg, to provide trainings to practitioners from all over the world in order to give them the opportunity to see, learn and assist micro neurosurgery operations in a high volume center like Helsinki. Helsinki is one of the most expensive cities in the world, and travelling there for a training is not an option for many neurosurgeons. We are one of the leading centers in cerebrovascular surgery and we are visited by hundreds of neurosurgeons annually.

**What is the profile of recipients of the Fellowship and how is the selection made?**

Any young and ambitious woman or man in the field, eager to improve their knowledge and skills can apply. First they come to visit us in Helsinki and, together with former fellows, we make a decision about whether or not the candidate is suitable for our program. Since the program is very demanding and we work 24/7, it is essential to have the right persons involved.

**What is your relationship with the founders of the C. Ehrnrooth Foundation?**

The founders of C. Ehrnrooth Fellowship are well known in Finland. They are a successful family in many areas – from art to science and business. They have been engaged in philanthropy since many years. It has been a great pleasure to get to know the members of this family, and we are deeply honored that they have made the C. Ehrnrooth Fellowship in neurosurgery possible.

**What are the biggest challenges to running this program?**

Choosing the right people to fit in our program- although when traveling around the world (on average 40 times a year) one learns quickly to judge which profiles fit in the program.

**Sharing best practice is key to this program, how is this ensured?**

We have a high volume of cases and a well-organized audio-visual system allowing us to record all surgeries for further analysis. There are several microscopes for practicing micro sutures and fellows are often able to assist in



C. Ehrnrooth fellows in action – © Huashan-Xu Bin

highly demanding cases, which they generally have never seen before. I also demand scientific work to be carried out as well as on-going learning to train them to think like true academic neurosurgeons. Lately, many of our fellows have pursued successfully a PhD at the Helsinki University. Our staff is also composed of highly trained professionals, from our nurses to our neurosurgeons and radiologists.

**The C. Ehrnrooth Fellowship has so far been granted to students from e.g. Syria, Russia, Peru, and Uzbekistan. What are your personal observations from working with such different cultural backgrounds?**

Usually, fellows from less advantaged countries are more humble, but at the same time there is a lack of knowledge on current issues regarding neurosurgery. With all these elements combined, in a few months time, you can see a huge leap forward in their development. In a short period of time,

they are able to do high-end surgeries when going back to their countries and they manage to obtain very successful outcomes. Misunderstandings can of course happen, but there never has been a case where discussing the problems did not allow us to find the right solution.

**Do you stay in touch with the fellows after they return to their home country?**

Yes. I often become good friends with fellows- especially those who have been in Helsinki for years. When they go back to their own practices, I get many requests for consultations at least in the beginning, and we often arrange live microsurgery courses in their home countries.

**Do you have a specific memory you would like to share with us?**

It gives me paternal pride to see my fellows being successful and taking up the torch of neurosurgery.

*“I spent an amazing year with one of the giants in neurosurgery. This year was extremely fruitful for me. I learnt micro neurosurgery from a true master. I gained crucial knowledge and experience in the scientific area. I have seen what real teamwork means – when people around you share your philosophy and work almost like Swiss watches. All of this would be impossible without the generous support of the C. Ehrnrooth Foundation.”*

Danil Kozyrev, Russian citizen and C. Ehrnrooth fellow 2015-2016

# Comment les notaires peuvent-ils inspirer leurs clients à devenir philanthropes ?

Cosita Delvaux  
Notaire à Luxembourg



Les Luxembourgeois s'engagent traditionnellement par le don ponctuel à quelques grandes organisations mais rarement au delà. Cependant, le secteur philanthropique connaît un essor

certain depuis quelques années et amène le notaire à intégrer cette dimension dans le conseil à ses clients.

Son rôle est de préparer les actes clefs qui jalonnent les grandes étapes de la vie en accompagnant les individus et les familles. Dans nombre d'entre elles, une fois les enfants indépendants, vient la question de s'engager, de redonner à la société et parfois de le faire de manière structurée. Dans

le cadre d'une planification patrimoniale ou successorale, le notaire doit alors interroger les motivations de ses clients. S'agit-il d'un simple don? D'un engagement sur le long terme ? Par un soutien à des projets précis ou à des organisations ? Les clients demandent de quelles dispositions ils peuvent bénéficier, quelles en sont les limites, comment s'assurer de la pérennité du soutien. Cela permet au notaire d'évaluer si un engagement philanthropique structuré fait sens ou non.

Après l'écoute et le conseil vient un temps plus proactif. Il peut être alors du ressort du notaire, en toute indépendance, de proposer à ses clients de se rapprocher de structures comme la Fondation de Luxembourg pour la suite de l'accompagnement vers un véritable engagement philanthropique.

Laurent Mazeyrie  
Notaire français spécialisé en ingénierie philanthropique



Contrairement aux apparences, la philanthropie est aussi un instrument de gestion patrimoniale, qui implique en premier lieu les notaires, au travers des opérations de transmission qu'elle implique.

Leur rôle est triple :

## Déceler

Si la philanthropie nous concerne tous, certaines situations doivent alerter les notaires sur l'intérêt pour leur client de donner à une œuvre : personnes lourdement taxées, ayant intérêt à profiter des avantages fiscaux des dons ; personnes sans enfants, qui peuvent gratifier une œuvre sans négliger leurs proches via un legs net de frais et droits ; personnes ayant un proche vulnérable, qui peuvent rechercher dans

une fondation un mécanisme fiduciaire destiné à le protéger... voilà autant de situations dans lesquelles la philanthropie a un rôle à jouer.

## Informier

Bien évidemment, si ces techniques sont connues des notaires, cela est rarement le cas des clients. Le notaire a donc là encore un rôle majeur à jouer, même si évidemment, il ne lui appartient que de proposer des solutions, sans avoir à orienter ses clients sur les choix des œuvres à gratifier.

## Mettre en œuvre

Une fois ces techniques mises en avant et les choix arrêtés, il appartient encore au notaire de mettre en œuvre les solutions retenues, avec notamment la rédaction des actes de donation ou de proposition de clauses testamentaires.

