An Asia-Pacific Comparison of Public Philanthropic Intermediaries

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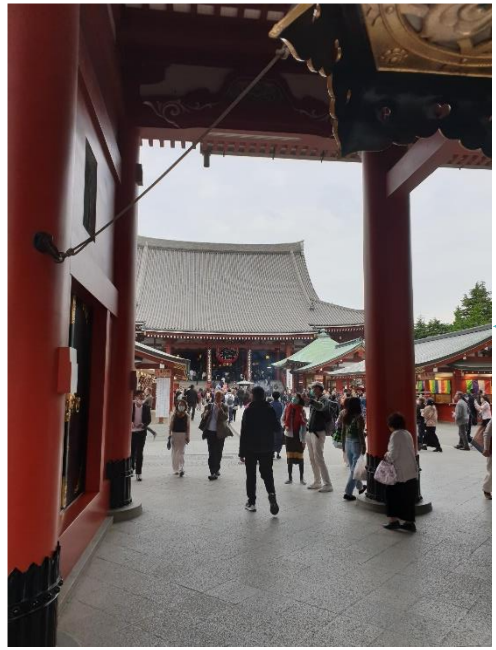

‘public philanthropic intermediary’

Broad-based desire for more sophisticated and strategic giving

- Arising from a range of factors such as:
  - Changes in social expectations
  - Improved data and data tools (Candid, Tencent Charity, charity registers etc)
  - Greater availability of institutional forms that support structured giving
- In the United States, has led to an explosion in “donor advised funds” by community foundations, trustee service providers and charities affiliated with financial service providers…
- And the identification of a number of concerns
- What about in Australia and Japan (research also looks at Singapore and South Korea)?
- Philanthropic intermediaries for greater intergenerational equity?

  cf. Aging society and wealth gaps in Japan: 63% of all the household assets held by people aged 60+

Context

	Civil Society employment as % of economically active population	
Public social-welfare spending as % of GDP	Low	High
Low	Statist Japan, Brazil, and much of the developing world	Liberal U.S., U.K., Australia
High	Social Democratic Sweden, Norway, Finland, Italy	Corporatist Germany, Belgium, the Netherlands, and France

*Salamon and Anheier's social origins theory

- Plus civil law jurisdiction (Japan), common law jurisdiction (Australia)
- Japan's statist conundrum
  - Restrictive legislation and limited tax concession
  - Post-war welfare state: service-driven charities relying on government contracts/subsidies
  - Corporate welfare: corporate foundations and limited philanthropic initiatives
  - Economic downturn since 1990s: Unsustainable corporate welfare and state social security

What institutional responses are provided?

- Australia
  - Other (PBIs for overseas development, specific listing – eg Australian Sports Foundation etc)
  - Public ancillary funds, by way of sub-funds
    - Purpose trusts – charitable trust legal form
    - Sponsor organisations include:
      - community foundations (Lord Mayor's Charitable Foundation, Australian Communities Foundation etc)
      - organisations established by trustee services or financial services companies (AET Limited, Equity Trustees, Mutual Trust, Perpetual, JBWere)
      - independent national sub-fund providers (eg Australian Philanthropic Services Foundation)
      - single issue foundations (eg established by universities)
  - Latest tax stats (at 30 June 2021): 1,379 PuAFs holding $4.8bn
  - > sub-funds: Seibert 2019 estimated 1,995 sub-funds of $1bn
  - Estimated expected sub-fund asset levels based on US participation and giving rates, adjusted for GDP: $4.5bn (Phillips et al 2021) [US 1.9m DAF accounts = $231bn in 2021]

What institutional responses are provided?

- Japan
  - Trust banks
    - Tax concessions in return for heavy regulation
    - only money can be donated; safe investment; distribution committee required
    - regulation of fees: “no more than personnel fees and other costs necessary for the trust administration”
    - Ongoing law reform: removing trust bank monopoly; allowing diverse kinds of assets
  - Community foundations
    - Osaka Community Foundation (1991)
      - \3.4 billion assets; 280 funds, \4.5b donation total; 14 DAFs (8 enduring, 6 limited period)
      - Safe management of funds: bank deposits and government bonds
    - Other community foundations (2009 onward)--Community Foundations JAPAN has 21 members
      - Smaller in size and scope (\1.4b): Prefecture (Kyoto, Fukushima) and Cities (Kawasaki)
      - NPO-driven that rely on government contracts for revenue sources
  - More recent philanthropy-centred initiatives
    - Public Resource Foundation (2013)
      - 14 funds, \4.1b received and \2.9b expended within the past 10 years.
      - NPO consulting; social enterprise assessments; grant impact assessment
    - Japan Philanthropic Foundation (2020)
    - Greater willingness to accept diverse assets (real estates and securities) and manage long term
    - DAF and Thematic funds; enduring funds-hybrid funds-fixed period funds
  - Intermediary asset levels = 1/20th of expected based on US participation and giving rates.

Key Concerns from US: Delay

- Concerns about the delay between the time that a gift is made to the intermediary and the ultimate use of funds to pay for public benefit activities.
- Australia
  - PuAFs – minimum annual distribution of 4% of market value of fund's net assets (still permits accumulation)
  - PuAF net assets are increasing each year, at a rate well above inflation.
- Japan
  - Public Interest Corporations – financial regulations requiring revenue-expenditure balancing for public interest activities
  - Charitable trusts – AUM declining \73.7b (2001) to \55.5b (2023)
  - Service-oriented nonprofits; rather recent embrace of enduring funds and long-term management/investment
  - Reforms: gradual relaxing of financial regulations and expansion of tax concessions (e.g. charitable trusts with diverse assets)

Key Concerns from US: Tools to Build Political Power

- Concerns that public philanthropic intermediaries can be tools for building political power of donors, in part because the public nature of the entity renders disclosure less than for private intermediaries .
- Australia
  - No broad prohibition on political advocacy.
  - PuAFs can fund other DGRs engaged in political advocacy.
  - PuAFs – disclosure of financial information at entity level, including specific recipients of donations (not donors), but not individual DAF/sub-fund management accounts
  - Only private ancillary funds can seek to withhold contact details for responsible persons so as to avoid IDing donors
- Japan
  - Broad prohibition on political advocacy on organizations receiving tax concessions—public interest corporations and NPO corporations
  - Charitable trusts – no disclosure of key details under trusts or tax law
  - Community foundations – disclosure of financial information at entity level, but this does not extend to individual DAF/sub-fund management accounts (though voluntary).
  - Neither fund political advocacy

Key Concerns from US: Mission Drift/Private Benefits to Managers

- That organisations operating intermediaries lose focus on public purpose, tempted to stream private benefits to managers/affiliated organisations.
- Australia
  - Wide range of organisations provide sub-funds
  - Large providers are formally subject to extensive regulation – eg professional trustees are licensed trustee companies prescribed by regulations to the Corporations Act and required to hold an Australian Financial Services licence.
  - But… fees based on annual value of trust assets; use of affiliated investment service providers.
- Japan
  - Very conservative investments regulations; restrictions on fees → limits ability to make/stream private benefits
  - Conservative investment practices: only recent rise of enduring funds and sophisticated investments
  - Recent relaxation of financial regulations and lack of specific regulation targeting mission drifts—would voluntary disclosure work?

Questions/feedback?