



PHILANTHROPICATION *thru* PRIVATIZATION

PHILANTHROPICATION *thru* PRIVATIZATION:

Building Permanent Assets for Social Progress

Lester M. Salamon

Johns Hopkins University & East-West Management Institute
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PROJECT MESSAGE

“There are those who see things as they are and ask ‘WHY?’

“But I dream things that never were and ask: ‘WHY NOT?’”

Senator Robert Kennedy
Paraphrasing George Bernard Shaw



BACKGROUND: THE PROBLEM

- Major efforts under way to foster **sustainable** community-based foundations in Africa
- Where is the capital going to come from?
- Growing frustration the likely result



BACKGROUND

- **A POSSIBLE SOLUTION
RIGHT BEFORE OUR EYES**
- **ROMAN ALCHEMY—transforming
base privatization into charitable gold.**



ITALIAN EXPERIENCE DOES NOT STAND ALONE

- **New Zealand Savings Banks—1980s**
- **Volkswagen Foundation—2 decades earlier**
- **Czech Foundation Investment Fund—1990s**
- **KBF—National Lottery access—late 1980s**
- **Foundation for Polish-German Cooperation**
- **Blue Cross of California Battle in US—1993**
- **But all proceeded in virtual isolation /
no concept**



SUCH DEALS ARE NOT A THING OF THE PAST

- **2012 the 3rd most active year for privatization in history**
- **Africa has assets that can be the basis for PtP transactions:**
 - **State-owned enterprises**
 - **In the ground: mineral rights payments**
 - **In the air: air rights auctions**



THE OPPORTUNITY

Capturing even a fraction of the assets in privatization sales could revolutionize global philanthropy:

- **10% of proceeds of Kenya-Vodaphone deal would have yielded a \$70 million Kenya community foundation**
- **20% of the concession payments for mineral extraction rights could produce sizable foundation assets in many Southern African countries.**



NEEDED: A CLEAR CONCEPT

- **Concepts are the lenses through which we view the world.**





NEEDED: A CLEAR CONCEPT

- **Concepts are the lenses through which we view the world.**
- **Without appropriate lenses, key aspects of reality are missed.**



PtP: DEFINING THE CONCEPT

➤ **Privatization**

➤ **Philanthropication**



DEFINING THE CONCEPT

➤ Privatization

- Not outsourcing
- Transfer of ownership / control



ASSET CAN TAKE ANY OF 6 FORMS

- I. State-owned enterprise**
- II. Other state-owned asset (e.g. buildings)**
- III. Flow of proceeds owed to state (mineral rts)**
- IV. Debt swap**
- V. Quasi-govt'l organization (e.g. nonprofit)**
- VI. Stranded/ Stolen assets (e.g. penalties, bribes)**



DEFINING THE CONCEPT

➤ **Philanthropication**

“transformation of public or quasi-public assets into private businesses in the course of which charitable endowments come into existence under the meaningfully autonomous control of communities.”



PHILANTHROPICATION: 3 DEFINING FEATURES

- ① **A public or quasi-public asset**
- ② **A process of transformation**
- ③ **A resulting privately controlled charitable endowment**



KEY CAVEATS

- **No position for or against privatization**
- **BUT: Assets are the peoples', not the government's**
- **People deserve some tangible benefit**
- **Can usefully take the form of vesting proceeds in charitable endowments—visibility, durability**
- **Foundations promote pluralism, attract additional resources and energies, promote community, take the long view.**



NEXT STEPS

GUIDING PRINCIPLES

- ① **Privatizations that are fair and transparent**
- ② **Foundations that are:**
 - ✓ **Meaningfully autonomous;**
 - ✓ **Transparent; and**
 - ✓ **Without conflict of interest.**



PRELIMINARY TALLY OF P&P FOUNDATIONS, BY COUNTRY

COUNTRY	FOUNDATIONS	
	NUMBER	%
Austria	33	6.1%
Belgium	1	0.2%
Brazil	3	0.6%
Canada	1	0.2%
Czech Republic	74	13.6%
Germany	29	5.3%
Hungary	1	0.2%
Italy	103	18.9%
Japan	5	0.9%
Netherlands	1	0.2%
New Zealand	36	6.6%
Norway	4	0.7%
Poland	4	0.7%
Slovakia	2	0.4%
Sweden	35	6.4%
United Kingdom	9	1.7%
United States	199	36.5%
Other**	5	0.9%

Total cases:

545

22 Countries

Total assets*:

US\$136bn / €120bn

**Assets not available for some foundations*

***Includes Bolivia, Chile, Morocco, Peru, and Uruguay*

Source: Lester M. Salamon, "Philanthropication Thru Privatization: Building Assets for Social Progress," March 2014. Available at p-t-p.org.



CASE STUDY OVERVIEW

CASE	COUNTRY
TYPE I: PRIVATIZATION OF STATE-OWNED ENTERPRISE	
1 Volkswagen Stiftung	Germany
2 Deutsche Bundesstiftung Umwelt	Germany
3 Baden-Wuerttemberg Stiftung	Germany
4 Stiftung Innovation (Rhineland-Palatinate)	Germany
5 Czech Foundation Investment Fund	Czech Repub
6 Foundation for Polish Science*	Poland
7 Nadácia Slovenskej sporiteľ'ne	Slovakia
TYPE II: TRANSFER OF STATE PROPERTY	
8 La Scala	Italy
9 Youth Foundation (Nadacia mla deze)	Slovakia
10 Fondazione Lombardia per l'ambiente	Italy
TYPE III: TRANSFER OF STATE REVENUE STREAM	
11 Oranje Foundation**	Netherlands
12 King Baudouin Foundation**	Belgium
TYPE IV: DEBT SWAP	
13 Foundation for Polish-German Cooperation	Poland
TYPE V: SALE OF QUASI-PUBLIC ENTERPRISE	
14 Fondazione Cariplo	Italy
15 Compagnia di San Paolo	Italy
16 Fondazione Casa di Risparmio di Torino	Italy
17 Erste Foundation	Austria
18 ASB Community Trust	New Zealand
19 Community Trust of Southland	New Zealand
20 The California Endowment	U.S.A
21 Lloyds TSB Foundation for England & Wales**	U.K.

Total Cases:

22

Total Assets:

US\$44.7bn / €33.7bn

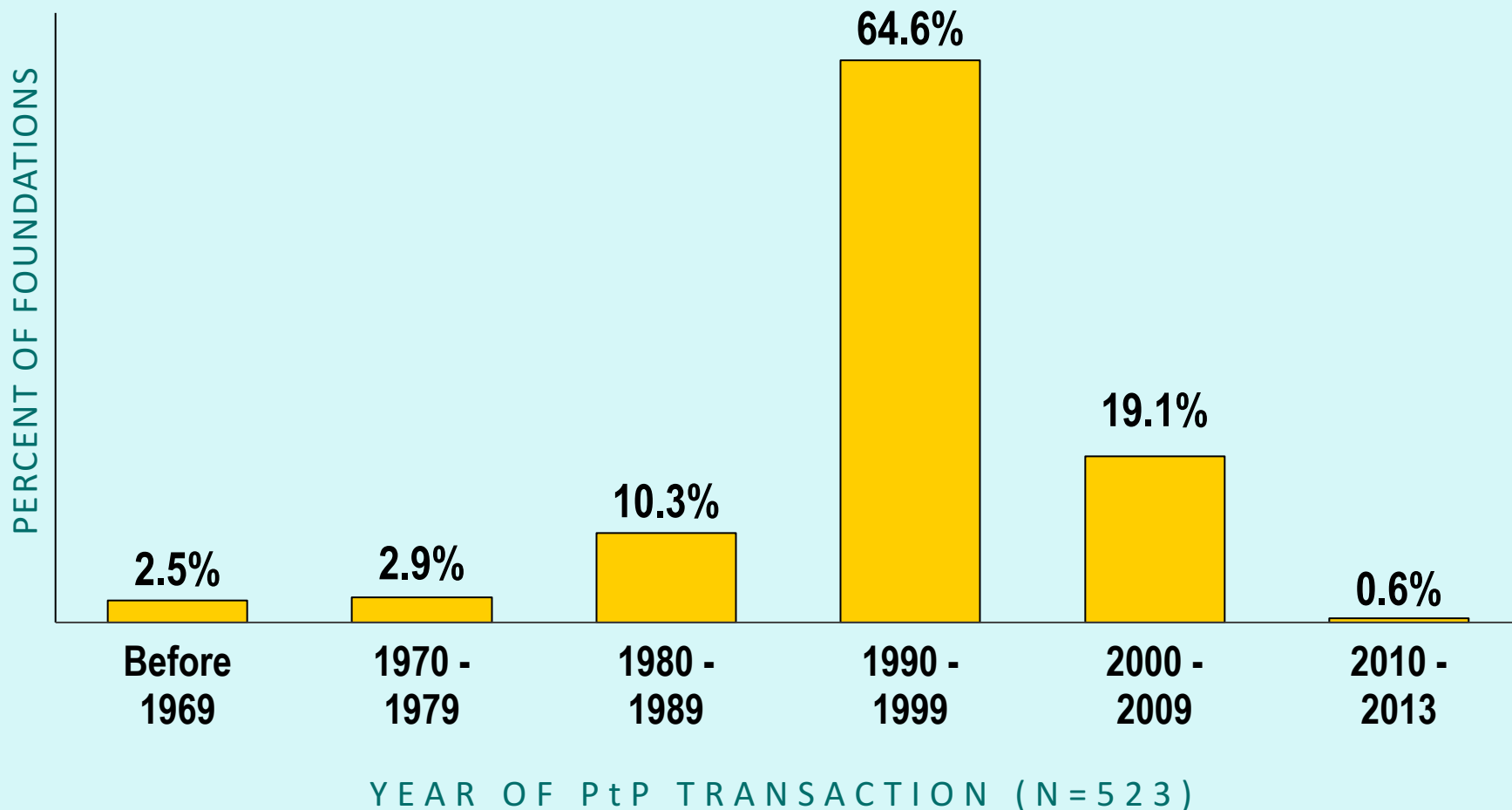
**Part of the asset came from a Type II transaction*

***Estimated asset equivalent of resources from annual lottery or covenanted proceeds*

Source: Lester M. Salamon, "Philanthropication Thru Privatization: Building Permanent Assets for Social Progress," March 2014. Available at p-t-p.org.

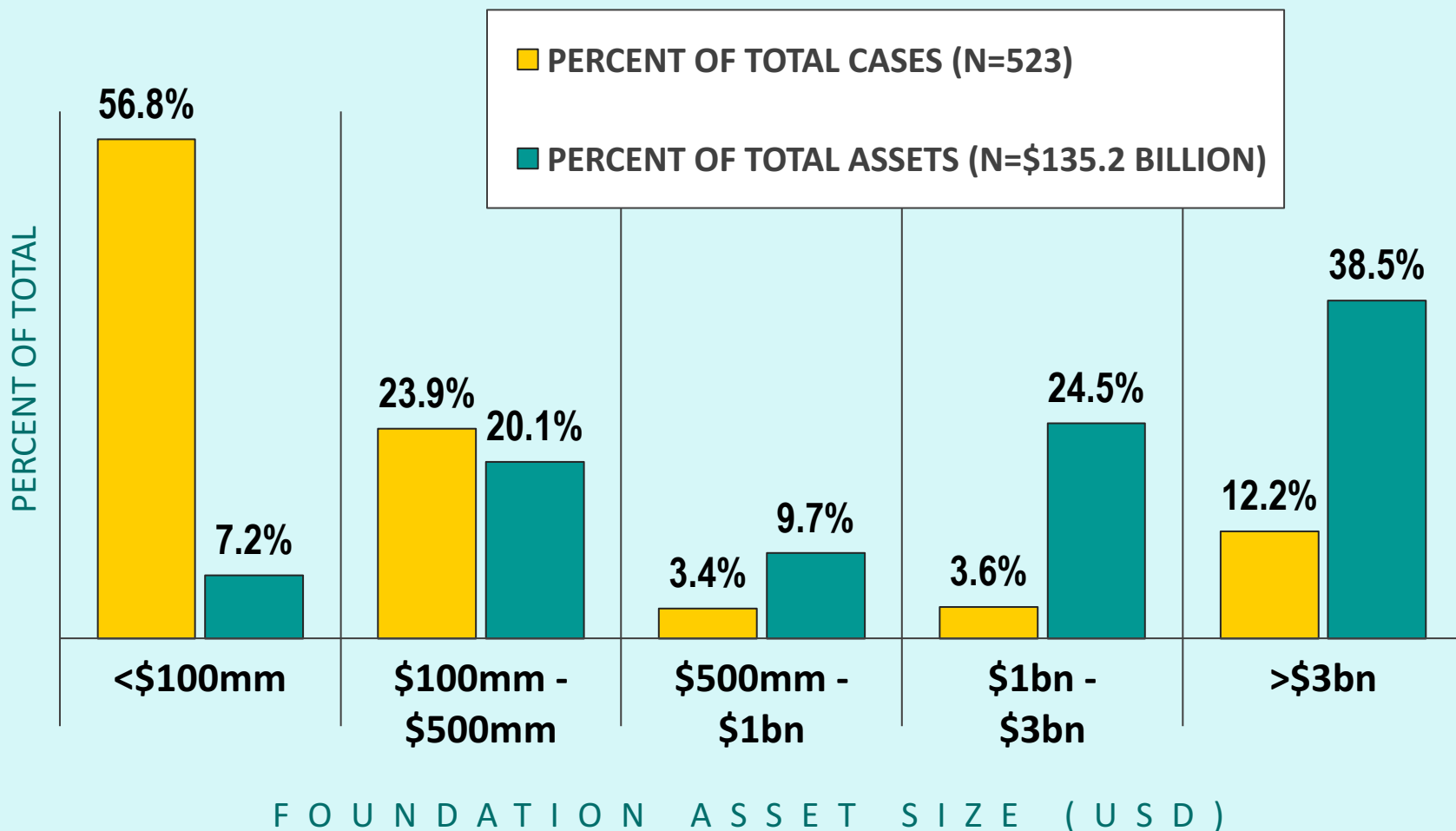


MOST P t P FOUNDATIONS ARE RELATIVELY YOUNG





MOST P-t-P FOUNDATIONS ARE SMALL / MOST P-t-P ASSETS IN LARGE INSTITUTIONS





PERFORMANCE I: OPERATIONAL

5 KEY FEATURES

- ① **Independence**
- ② **Missions: Reactive to pro-active**
- ③ **Transparency**
- ④ **Professionalization**
- ⑤ **Asset management**



HOW DID IT HAPPEN?

TWO KEY CONCLUSIONS

- ① **Philanthropication accompanies privatization where it is helpful or necessary to do so.**
- ② **Privatization is a “malleable” process.**



HOW DID IT HAPPEN?

5 CONDUCTIVE CIRCUMSTANCES

- ① Privatization under way
- ② Assets with special features
- ③ Facilitative legal structure
- ④ A need to defuse opposition
- ⑤ Presence of advocates/champions



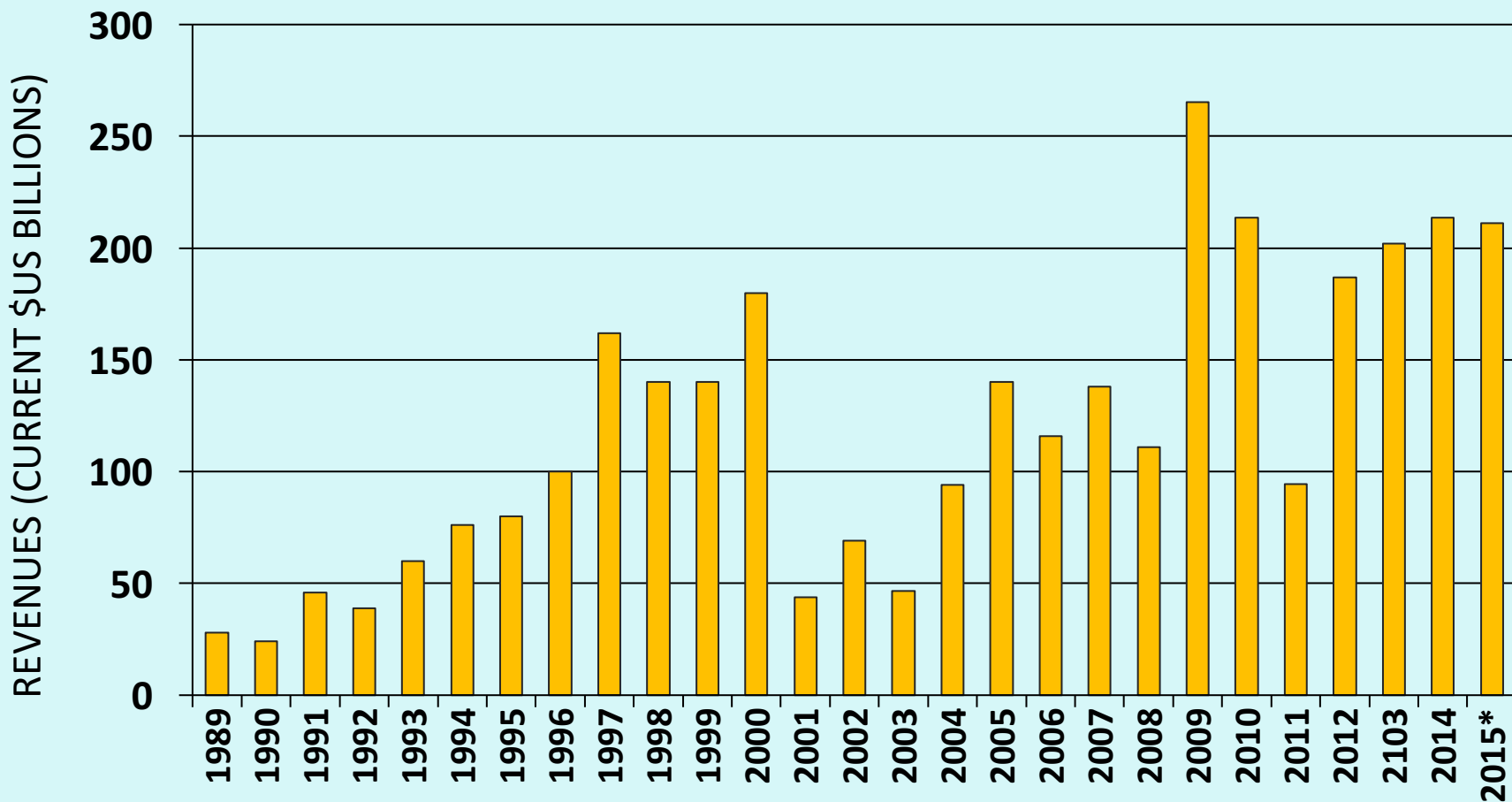
DOES P+P HAVE A FUTURE?

4 REASONS TO BELIEVE

- ① **The myth of the end of privatization**



WORLDWIDE REVENUES FROM PRIVATIZATIONS, 1988-1H2013



*First eight months of 2015 (through August 2015)



DOES P+P HAVE A FUTURE?

4 REASONS TO BELIEVE

① The myth of the end of privatization

“China was, by far, the leading privatizing country during both 2014 and 2015.”

The Privatization Barometer, 2014-15



DOES PtP HAVE A FUTURE?

4 REASONS TO BELIEVE

- ① **The myth of the end of privatization**
- ② **The Paradox of Opposition: Upside-down effects of privatization**



THE PARADOX OF OPPOSITION

OPPOSITION IS PRESENT

- **CEE Survey/Latinobarometer surveys**
- **Citizen protests Ukraine/China**
- **Sales halted in Sweden, Germany, France, Italy**
- **Growing resistance to privatization, concessions, mineral extraction in Africa**



DOES P+P HAVE A FUTURE?

4 REASONS TO BELIEVE

- ① **The myth of the end of privatization**
- ② **The Paradox of Opposition: Upside-down effects of privatization**
- ③ **Promising assets: minerals, air waves, public utilities, stolen assets, penalties for corp. misdeeds**



DOES P+P HAVE A FUTURE?

4 REASONS TO BELIEVE

- ④ A “Win-Win” option for:
 - ✓ Investors
 - ✓ Governments
 - ✓ Communities
 - ✓ Civil society



NEXT STEPS I

- ① **Form the AFRICA PtP EXPLORATORY COMMITTEE (APEC)**
- ② **Disseminate PtP Report/ Executive Summary/ Brochure: Workshops, seminars, conferences**
- ③ **Distribute “How-To” publications**
- ④ **Identify pilot test countries and partners**
- ⑤ **Launch pilot implementations**
- ⑥ **Chronicle pilot implementation progress/lessons**



THE TIME IS RIPE

- ① Increased interest in African philanthropy
- ② Increased resistance to privatization
- ③ Business community looking for win-win opportunities
- ④ Institutional structure for community foundations in place in many locales

Let's seize the moment!



WHY PtP?

“The state should not be based on the idea that it, and it alone, knows best what society needs and that it alone should finance that area from centrally levied taxes....

[W]e should trust the citizens more and enable them to take on more responsibility.”

*Vaclav Havel,
January 1, 1994*



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FOR FURTHER INFORMATION

LESTER M. SALAMON

lsalamon@jhu.edu

Website: p-t-p.org

Report: bit.ly/PtPSalamon

Brochure: bit.ly/PtP_Brochure

Exec Summary: bit.ly/PtP_ExecSummary