EMERGING PHILANTHROPY IN INDIA

Analysis of Gaps And Recommended Interventions

भारतीय प्रतिष्ठान
NATIONAL FOUNDATION FOR INDIA

Social Justice Philanthropy Initiative

Social Justice Philanthropy is an approach that aims at addressing systemic causes of underdevelopment, as against charity approach that merely addresses immediate outer manifestations of a deeper problem. Keeping in view the increasing influence and role of private sector in development, NFI looks at mobilizing philanthropic discourse and resources for issues of social justice and equity.

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ACKNOWLEDGEMENTS

Acknowledgements

Globally, private philanthropy plays a critical role in spurring development innovations and bringing attention to development issues that have been neglected in the public discourse. Compared to governments, private individuals and organizations have a great deal more flexibility in highlighting issues and supporting innovation that can then be scaled up into larger sector-wide and government contexts. Such private philanthropy is particularly critical in India , with the large amounts of government spending on programs that achieve less than desired impact on development outcomes for the poor.

I am grateful to the National Foundation of India for the opportunity to undertake this study and to the Rockefeller Foundation for funding it. Amitabh Behar, Pradeep Patra and Barsha Poricha at the National Foundation for India played a key role in helping to fine tune both the study-plan and in giving comments to help improve the final draft.

Priyanka Mittal provided valuable research support, especially on CSR spending by companies and the impact of the proposed new Companies Bill.

I am also grateful to a number of people – listed in Appendix 1 - who gave of their time and their knowledge freely in talking to me extensively about their philanthropic work and thoughts on the sector in general. I am particularly grateful to Rohini Nilekani, and to the heads of philanthropic intermediary organizations - Neera Nundy at Dasra, Priya Naik at Samhita, Udhal Dhavani at Give India and Laura Donovan at Partners in Change. Their insights – based on their pioneering work in building philanthropy in India - were invaluable in developing this report.

Strategic philanthropy in India is still in a nascent stage. The willingness of a broad set of people to share their time and views reflects the desire and the opportunity to explore collaborative efforts between key stakeholders to build a vibrant, transparent, inclusive and high-impact philanthropic sector. I hope that this report contributes to greater dialogue on steps and initiatives needed to hasten such developments.

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EXECUTIVE SUMMARY

Executive Summary

Rapid economic growth, wealth creation and recent large gifts by wealthy individuals in India have spurred greater interest in philanthropy in India. Over the past five years, there has been increasing media coverage of philanthropic gifts and a number of studies have sought to quantify, analyze and promote such giving. This report seeks to add to existing analyses by focusing, in a structured manner, on new sources of strategic philanthropy in India.

Although, there is no widely accepted single definition, strategic philanthropy is giving that is strategic in nature. It is a planned intervention that seeks to attain a specific impact over a period of time. The history of giving in India, with a few notable exceptions, has been largely non-strategic and religious in nature.

This report defines new philanthropy as sources of philanthropic giving that have been set up or have scaled up their giving significantly in the past five years.

Due to the absence of laws that necessitate public reporting of philanthropic gifts and the consequent lack of publicly reported data, this study relies heavily on interviews with key actors in the sector. However, it sought to gather objective data wherever possible and corroborate information from interviews by reviewing annual reports and financial statements.

High Net Worth Individual (HNI) Philanthropy

For HNIs, this report sought to explore trends in their giving through combining two methods. Firstly, it looked at the list of the 20 wealthiest Indians and sought to explore publicly available information on their philanthropic giving. Secondly, it polled a number of development practitioners to find individual and family foundations that were set up in the previous five years. It found that, of a total of 26 instances of HNI philanthropic giving, 20 give through a foundation structure; and 17 of those seem to conflate giving through their linked company foundation with individual giving.One of the plausible reasons for the conflation of individual and linked company giving is the relatively high degree of promoter control over many of the leading Indian companies. Often, a spouse or other family member was found to play a leading management role in the linked company's foundation. Where both individual and family foundations existed, there were often porous boundaries between the two with shared management staff and infrastructure.

Surprisingly, only one – Arghyam - of 20 individual and family foundations assessed as part of this study reported spending information publicly. There was thus no way to independently corroborate the quantum of total philanthropic transfer to the linked foundation, other than media reports based on claims by the individuals themselves. There was also no data on total annual spending by the foundations or on spending on individual initiatives and grant recipients and amounts. The primary reason for non-disclosure seems to be the lack of any legal requirement to do so. A significant proportion of HNI giving was also found to be non-strategic in nature. A majority of HNIs gave money to cover expenses of running educational institutions, hospitals and vocational training programs. Leveraging their giving to impact larger geographies and structural change in their focus sectors was very rare, with only five out of 26 HNI foundations assessed stating a strategic objective and an additional seven giving some smaller portion of their total giving to strategic causes.

There was also a strong preference for operational foundations over grant-making foundations. Of 20 HNIs giving through individual or linked company foundations, 16 were operational foundations directly implementing programs, three had both operational and grant-making components and only two were purely grant-making foundations. The strong preference for direct operations versus support to non-profit organizations seems to be based on two factors: a lack of confidence that donations made will benefit intended beneficiaries if routed through NGOs, who are often perceived as inefficient or corrupt; and the lack of successful example of NGOs scaling up their work to reach large populations.

Philanthropic giving by family and linked foundations reviewed is disproportionately directed at four areas: education, health and livelihood initiatives, and seems to leave out a large number of other development challenges. Selection of focus areas for philanthropic giving was primarily based on personal experience and beliefs of the donor rather than a detailed analysis of gaps, strategic fit and potential intervention strategies. A review of geographic area of operations reported by family foundations also seems to suggest that certain regions – particularly the North East and Jammu and Kashmir – are underrepresented.

Corporate Philanthropy

With the growth of the private sector since economic liberalization, private companies have emerged as a major source of developmental funding through their CSR initiatives. This study analyzed financial statements and annual reports of the top 50 listed companies to identify the quantum and nature of current CSR spending of these companies. The study also looked at the potential impact of the new companies bill on the top 200 publicly listed companies by market valuation, as its provisions on CSR will bring about major changes in corporate philanthropy.

The analysis found that most private sector companies operate through linked foundations that are legally separate entities. These foundations are registered primarily as trusts, and less commonly as section 25 companies. In many cases, dedicated professional staff were specifically hired to run the foundation, although there some high profile instances – including Reliance and Bharti - of promoters and family members of promoters being involved in the management of the linked corporate foundation.

Companies transfer an amount to the linked foundation every year to run CSR initiatives. The

budget amount is fixed based on budget plans submitted by the linked foundations and decisions on fund-transfer by senior management, which seems to be driven primarily by profitability in that financial year. Average spending by the top 50 companies by market valuation - that reported their spending was 46.3 crores in 2011-12 [after removing one outlier data point, Coal India, which reported spending 555 crores in 2011-12]. This level of spending – and many companies spent more than the average as illustrated in figure 3 (b) - is significant when compared against some of the leading Indian philanthropic organizations.

A majority of the top 50 companies by market valuation did not report any data on financial outlays on their CSR programs publicly. A number of reasons were cited in interviews with the most common ones being “not required to do so” and “we have not really thought about it”. With a few notable exceptions – concentrated disproportionately in the banking and finance sectors - most corporates did not publicly report or even seem to track impact of CSR initiatives. The exceptions – that undertook some combination of baseline studies, collecting detailed data on impact and commissioning third-party impact assessment reports, or some combination of these measures – included ICICI, Goldman Sachs and RBS.

CSR initiatives were primarily focused on four sets of areas: health, education, environment and livelihoods. A wide range of key development gaps and problems including drinking water and sanitation; urban issues including urban poverty and affordable housing; hunger and malnutrition; caste, gender and religious discrimination; and redressal of human rights violations were completely absent from the list of areas funded under CSR programs in the corporate sector. Particular regions – such as the North East and Jammu and Kashmir – also seem to be underrepresented in CSR spending.

There was no evidence of processes being followed in choice of focus areas through a review of the company’s operations, core competencies and stakeholder, strategic and brand-related interests. The choice of focus areas seemed to be primarily driven by the personal knowledge and interests of board members, CEOs and senior management of companies. There was rarely a correlation between core strengths and knowledge areas of the company and the focus areas that it chose. Again, the banking sector was an exception, with a clear trend of banking companies focusing on financial inclusion efforts through supporting microcredit initiatives.

Within linked foundations, there was a strong focus on operational areas such as staffing, budgets and ‘efficiency’ of spending. However, there was less emphasis on and no well-developed processes followed for steps preceding setting up operations – such as choice of focus areas and environmental scans – and post-operational spending steps such as communicating efforts and conducting impact assessment. Due to mandatory reporting norms by SEBI, there has been significant movement towards greater attention by corporates to sustainability measures – such as reducing adverse environmental impact and improving labor standards - in their core business operations. There was a clear distinction between management of CSR efforts, which was done through separate linked foundations, and work around improving sustainability in core operations, which was embedded in the different operational departments of the company.

Impact of New Companies Bill

There is the risk that mandatory CSR spending under the new companies bill will hamper the movement toward greater attention to sustainability in core business operations by narrowing the debate to focus only on CSR spending. Key aspects of the new bill include mandating – for companies having net worth of 500 crores, total turnover of 1,000 crores or total profit of 5 crores - the composition of a CSR committee at the Board level, which will develop and suggest a CSR policy to the Board; public disclosure of the CSR policy adopted on the company website; and CSR expenditure of 2% of average net profits of the company over the previous three years. All but two of the top 200 companies reviewed would fall under the ambit of the CSR provisions of this bill as they had net profits of greater than 5 crores in financial year 2011-12.

Despite perceptions to the contrary, the bill will not mandate CSR expenditure, as in case of failure to spend the 2%, it only enjoins the company to " . . . specify the reasons for not spending the amount." However, board-level engagement and the threat of punitive government action and bad publicity will force most companies to work toward spending the 2% target if the bill is passed. Total CSR spending targets of the top 200 companies under the new bill will be Rs. 5,874 crores. To put this number in context, it would be approximately 21% of the total 2012-13 annual budget of Rs. 27,258 crores for the Sarva Shiksha Abhiyan, the flagship education scheme of the Government of India, which reaches 192 million children

Average CSR spending by the top 50 companies by market valuation will be 68.4 crores after removing two outliers - Reliance and ONGC, who will have CSR spending targets of 377 and 405 crores respectively. This average is an increase of approximately 22 crores over the average spending of the 15 (of the top 50) companies reporting CSR spending currently. 63% of the 200 companies assessed will have a CSR budget of less than 25 crores. However, 32 companies will have annual CSR budget targets of over 50 crores, making them amongst the largest new bill would also increase transparency as it mandates reporting of total CSR spending.

Intermediary Organizations

Along with the growth in new sources of philanthropy, there is also a growing category of intermediary organizations that seeks to engage with HNIs and companies to encourage greater giving; and influence such giving and increase its impact through research, advisory and management services. The oldest of such intermediaries are Partners in Change and the Centre for Advancement of

More recently, Dasra has emerged as a major actor in the Indian philanthropic space, providing

a range of advisory service to donors; managing awards and programs for corporate partners; introducing innovations such as the Giving Circle, which enables HNIs to pool their giving to common causes and organizations; and organizing an annual Indian Philanthropy Forum in Mumbai. Samhita, established in 2009 in Mumbai, is also emerging as a major actor in philanthropic advisory and management services and focuses on engaging with companies to improve their CSR programs. Samhita is also in the process of building a database of NGOs vetted by the organization against a "credibility framework" developed by it.

Other initiatives include the Giving Pledge, a global initiative promoted by Bill Gates and Warren Buffet to get wealthy individuals and families to give away a majority of their wealth to philanthropy; and the The India Philanthropy Initiative (IPI) promoted by Bill Gates, Rohini Nilekani, Azim Premji, and Ratan Tata. The IPI, still is in its infancy, seeks to promote strategic giving in India and to develop standards for such giving in the long run. Another series of roundtables promoted by the Omidyar Network seeks to promote discussion and coordination on making impact investment efforts more effective.

While such intermediary organizations and initiatives are playing a key role in expanding and structuring the philanthropic sector in India, there continues to be a number of important gaps that they have yet to address fully. These include quality research services that pull together current "state-of-the-sector" overviews to guide philanthropic efforts; databases and analyses of existing philanthropic spending in India; platforms for information sharing on philanthropic efforts in specific sectors; and in-depth impact assessment services benchmarked against best practices in the development sector. Many of the new actors in this space also have fee-for-service models and seek to actively engage and partner with potential donors, which makes their ability to hold such donors to account on issues such as transparency and improving impact of philanthropic spending unclear.

Regulatory and Tax Issues

There are three distinct sections of the Indian Income Tax Act, 1961 that potentially influences philanthropic giving directly. One is registration for grant recipients – NGOs and Trusts - under Section 12A of the Act, which exempts their income from taxes, thereby ensuring that no part of a philanthropic donation is 'lost' to taxes instead of being applied to the intended philanthropic initiative.

The second is registration under Section 80G of the Act for recipient organizations, which allows individual donors to claim a tax deduction on donations made. The third is registration under Section 35AC of the Act, again for recipient organizations and specific projects within organizations, which enables corporate and business donors to to treat donations as expenditures, thereby effectively claiming a 100% tax deduction. In addition, the Foreign Contributions Regulation Act (FCRA), although not a tax regulation and implemented by the Ministry of Home Affairs (MOH), regulates giving by non-Indian donors to Indian philanthropic organizations.

Although there were mixed responses, a majority of interview respondents, including all the tax specialists interviewed reported that taxation issues did not have a major effect on individual donors as they are personal decisions motivated by the desire to give or to support a specific cause. However, linked corporate foundations reported arbitrary tax demands and harassment by income tax authorities as a problem.

Reviewing 35AC approvals for the previous three years made publicly available by the Department of Revenue, Government of India, no corporate foundations were found to be registered under section 35AC, which means that companies could not claim a tax deduction on a transfer of money to its linked foundation. On the face of it, therefore, it seems that under the current dispensation, companies get no tax benefits on CSR programs implemented through their linked foundations.

The FCRA act plays a major role in constraining both the ability of donors outside India, including Non Resident Indians, to support philanthropic causes in India and constraining the ability of Indian NGOs and charitable organizations in soliciting philanthropic support from outside India. Under the act, even companies registered in India are treated as foreign sources if more than 50% of their stock ownership is by foreign sources. Anecdotal evidence and perceptions of tax experts suggest that changes in the way in which tax authorities interpret which organizations are eligible for registration under Sections 12A, 80G and 35AC can influence the sectors into which philanthropic giving flows. Tax authorities are increasingly narrowing the scope of what qualifies as 'charitable' activity. Registrations under both section 80G and 35AC favor organizations providing direct benefits such as running schools, hospitals and orphanages thereby disadvantaging strategic philanthropic organizations.

The ideal role of private philanthropy in society and the role of the government in seeking to promote such a role through tax and other policies require a broad discussion that is beyond the scope of this study. Although this is an area that requires much further research and public discussion to evolve a broader consensus on what kinds of philanthropy we as a society want to promote, there can perhaps be broad agreement on the basic premise that tax policies and other regulations should seek to expand the set of choices for both donors and recipient organizations on the development gaps they want to address through their giving; the strategies and models employed; and the target disadvantaged populations they want to serve.

Potential Interventions

The overall objective of interventions in the Indian philanthropic sector should be to increase the amount of philanthropic giving and to maximize its impact. Within this overarching goal, interventions need to focus on developing broadly accepted standards on philanthropic giving; assisting donors and potential donors in meeting these standards; deepening the pool of

development gaps which emerging philanthropic funding supports; and developing platforms for coordination and information sharing.

Based on global best practices by established philanthropic foundations and initiatives, building an effective philanthropic process involves a number of components analogous to the process for a company or entrepreneur considering a new business or entering new markets. These steps include selection of focus areas; conducting an environmental scan and choosing desired outcomes; developing operational structure to achieve the chosen objectives; measuring impact of spending; and communicating information on spending and impact.

Potential interventions to move the philanthropic sector in India toward the best practices described above can be categorized broadly into three approaches based on the different types of relationships it seeks to build with donors and potential donors; the nature of interventions it requires; and the different skill sets and networks needed to implement them.

One approach to interventions is to primarily focus on building capacities at both the sectoral and at the individual level through partnerships with donors, potential donors and other intermediary institutions. At the sectoral level, such as approach can focus on building platforms, generating knowledge through primary research, and raising awareness on best practice through information campaigns. At the individual level, such an approach can seek to build the capability of individuals and companies across a range of activities so as to more effectively deploy philanthropic giving. This would include engaging with individual philanthropists through information briefs, providing best-practice models and other advisory services.

Another distinct approach is to use more activist approaches to bringing about greater transparency and accountability amongst HNIs and companies both on their quantum of philanthropic giving and the effectiveness of such giving. Such an approach would focus on collecting more information on philanthropic giving; putting such information in the public domain; and using rankings, indices, publicity campaigns and protests to bring greater pressure on HNIs and companies to move towards best practices in giving.

A third approach is to offer formal mechanisms for potential donors to manage and to pool their funds through apex funds and foundations. Extensive initial work needs to be done to understand legal and tax implications of setting up apex foundations and formal pooled funds and this is an area where initial funding can play a key role in catalyzing such initiatives.

INTRODUCTION

I. Introduction

Rapid economic growth, wealth creation and recent large gifts by wealthy individual donors have focused interest on philanthropy in India. Over the past five years, there has been increasing media coverage of philanthropic gifts and the perception that the richest Indians give less than their counterparts in other countries. There has also been analysis of different aspects of the philanthropic landscape by a range of consulting and research institutions. Such analyses include "An Overview of Philanthropy in India", a report by Bain and Co. in 2010; "Catalytic Philanthropy in India", a report by FSG in February 2012; "Beyond Philanthropy", a report by Dasra, German Technical Cooperation (GTZ) and Omidyar Network in 2012; "India Giving", a report by the Charities Aid Foundation (CAF) India in November 2012; "Bridging the Gap? New Philanthropy in India" by the Centre for Strategic Studies in May 2012; "From Gaining to Giving Wealth: Business-Leader Philanthropy in India", a report by International Development Research Center (IDRC) in December 2012; and an USB-INSEAD study on Family Philanthropy in Asia in 2011.

Why then is another report analyzing philanthropy in India needed? Existing reports have largely sought to quantify giving through educated assumptions – since giving data is largely not in the public domain - and to understand the motivations of donors and potential donors so as to inform efforts to expand philanthropic giving by the wealthy in India. This report seeks to add to existing analyses by focusing, in a structured manner, on new sources of philanthropy in India over the past decade; understanding the forms and processes through which such philanthropy operates; examining trends in the causes on which such giving has focused; and looking at structural gaps that need to be addressed so as to expand both the quantum of giving and enhance the impact of such giving.

This report, therefore, has a clear objective: to suggest and inform interventions to increase strategic giving in India. What is strategic giving? Although, there is no widely accepted single definition, strategic philanthropy is giving that is strategic in nature. It is a planned intervention that seeks to attain a specific impact over a period of time. It is therefore larger than the act of simply donating money to cover the expenditures of undertaking an activity. The difference between strategic and non-strategic philanthropy can also be looked at in terms of the difference between charity and philanthropy: " In conversations in India, a reoccurring theme was the contrast between charity and philanthropy: charity is framed as alleviation of immediate distress in the form of small hand-outs, while philanthropy is the catalyst facilitating long-term change.[1]"

Strategic philanthropy can also, of course, be religious in nature - sustained efforts to advance a specific religious ideology, for example. But this report focuses only on 'secular' strategic philanthropy, which seeks to address broader development challenges. It is worthwhile here to look at a specific example of what constitutes strategic philanthropy to demonstrate how it falls along a clearly identifiable continuum. Financing a child to attend a school is non-strategic; financing the running of 50 schools to change educational outcomes in a district is strategic; financing the running of 50 schools to change educational outcomes in a district and using data from the intervention to advocate for specific educational strategies in the rest of the country is more strategic. These examples show how strategic philanthropy can be identified and evaluated along a set of variables relating to its nature of a sustained pursuit of stated development goals. These variables include the amount of money given to the initiative; the planning behind the intervention, the impact that it seeks to have and the strategy it adopts to achieve such impact; and the time-period over which it seeks to have this impact.

Looked at from the perspective of these variables, the history of giving in India, with a few notable exceptions, has been largely non-strategic and religious in nature. As detailed by Sanjay Aggarwal in his 2010 book, "Daan and Other Giving Traditions in India", there is a diverse range of community-specific traditions such as daan, sewa, tithes and zakat on the basis of which forms of giving have been widely prevalent in India. However, such giving has primarily focused on proximate religious causes including the maintenance of religious structures - such as temples and mosques – and support for immediate welfare activities such as the running of schools, rest-houses, hospitals and orphanages, often through direct donations to the end beneficiary.

There is some evidence that such non-strategic philanthropy continues to be the predominant form of philanthropic giving, at least for middle-income individuals. A 2012 CAF study interviewed 9,000 individuals to better understand their philanthropic practices and motivations. 70% of respondents said that their giving was linked to their faith; and 70% said that they prefer to donate directly to an individual beneficiary, with only 20% having donated to a charitable organization[2].

In keeping with its focus on strategic philanthropy, this report looked at sources of larger philanthropic gifts of over Rupees 10,00,000 annually. A preliminary review of the philanthropic landscape in India threw up three broad categories of actors who made such larger philanthropic investments over the last decade: High Net worth Individuals (HNIs); Corporate Social Responsibility programs; and a new class of "social investment funds". The increasing amounts of money deployed by these three sets of actors have also resulted in the growth of a number of intermediary organizations that seek to advise and shape giving in India. This report seeks to delineate issues and trends in strategic philanthropy in India based on interviews with key stakeholders from these three different categories and analysis of available annual reports and financial statements. However, analysis and recommendations focus primarily on only two of these categories – individual donors and corporate CSR programs.

METHODOLOGY

II. Methodology

As described above, this report focuses on new sources of strategic philanthropy in India and to understand its contours. It defines new philanthropy as sources of philanthropic giving that have been set up or have scaled up their giving significantly in the past five years. This time frame excludes pioneering Indian philanthropic institutions such as the various Tata Trusts. It seeks to primarily look at Indian donors, and therefore leaves out of its ambit major international donors, such as the Michael and Susan Dell Foundation, for example, that have scaled up their work in India over this time period.

Existing studies on philanthropy in India are hobbled by the lack of adequate data. In other countries, such as the United States, for example, independent organizations such as the Center for Philanthropy at Indiana University and Giving Foundation USA publishes an annual report that estimates charitable giving based on an analysis of charitable deductions on tax returns filed by individuals, corporations, foundations and estates; and by looking at receipts by tax-registered charities[1]. Similarly, the Chronicle for Philanthropy compiles a list of the largest 50 donors by size of giving every year, and a list of the largest 400 recipient non-profits categorized by area of work.

Such analysis is made almost impossible in the Indian context as Indian tax authorities do not make data on charitable deductions claimed by individuals, trusts, and corporations publicly available. Surprisingly, financial statements filed by charitable organizations such as trusts and societies are not required by law to be in the public domain and, during the course of this study, it was found that few trusts and companies actually reported such spending publicly, thereby complicating efforts to compile accurate data on donations received or on philanthropic expenditures. Parallels to the sustained research conducted by sectoral bodies on the philanthropic landscape in the Unites States described above are not yet present in India and this is an opportunity for intervention that is discussed in more detail below.

Existing research on the philanthropic landscape in India is therefore largely reliant on interviews with and surveys of key actors that are active in and influence philanthropy. This study also relies heavily on such interviews but seeks to gather objective data wherever possible and corroborate information from interviews by reviewing annual reports and financial statements. Appendix 1 gives the list of interviews conducted. An interview guide was developed to standardize interview questions.

For HNIs, this report sought to explore trends in their giving through combining two methods. Firstly, it looked at the list of the 20 wealthiest Indians and sought to explore publicly available information on their philanthropic giving. Secondly, it polled a number of development practitioners to find individual and family foundations that were set up in the previous 5 years.

A number of methodological caveats apply to

Table 1 and 2 listing HNI giving below. Firstly, it is based on available information in the public domain – through annual reports, foundation reports and newsletters, websites, and profiles. It is possible that the HNIs on whom no public data on giving is available do give, but keep their giving private. But, this report considers it unlikely that a number of large philanthropic gifts are being made anonymously. Secondly, assessments of strategic versus non-strategic giving use a fixed yardstick – giving for direct expenditures such as expenditures for running schools, vocational training programs or hospitals are treated as non-strategic. If any component of the HNI giving had a stated strategic objective, the giving is flagged as strategic even if a bulk of giving went to non-strategic expenditures. Thirdly, the assessment is primarily based on self-reported data and since almost none of the HNI-promoted foundations make audited statements publicly available, it is not possible to verify such claims.

A major new development in India's philanthropic landscape is the drafting of the new Companies Act – yet to be passed by both houses in parliament – that mandates a percentage of profits for CSR activities. This report analyzes financial data of the top 200 publicly listed companies as reported in the annual Business Today BT 500[2]. It further analyzed financial statements and annual reports of the top 50 listed companies to identify the quantum and nature of current CSR spending of these companies. Again, the absence of public reporting of CSR expenditures and program details complicated efforts to collect data. A number of methodological caveats also need to be kept in mind. Firstly, the analysis summarized in Table 3 and 4 rely on self-reported data and since none of the companies analyzed listed CSR expenditures separately in its annual report, it was not possible to verify expenditure claims.

Social investment funds and approaches are a major new phenomenon globally and there has been rapid growth in such funds in India as well. However, this study does not review such funds and recommends that a separate review of this category be carried out given the different sets of dynamics and issues that are emerging.

1. Giving USA Foundation, Giving USA 2011: Annual report on Philanthropy, June 2011
2. Business Today, BT Top 500: India's Most valuable companies, November 2011

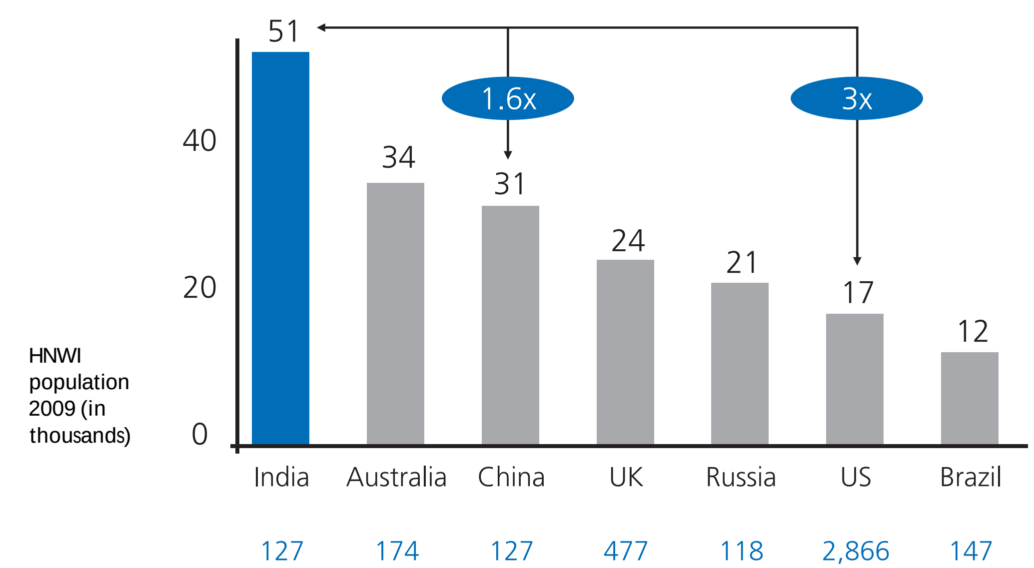
1. Emily Jansons, From Gaining to Giving Wealth: Business Leader Philanthropy in India, December 2012, page 7
2. Charities Aid Foundation India, India Giving, November 2012, page 5

INDIVIDUAL AND FAMILY FOUNDATIONS

III. Individual and Family Foundations

Individual wealth is growing rapidly in India. As illustrated in Figure 1 below, it is estimated that there are 127,000 HNIs in India with assets of over $1 million, excluding the value of their primary residence[1]. Furthermore, as of 2010, India had among the highest growth rates of HNIs globally, showing a 51% increase over the previous year[2]. The Bain Philanthropy Report states that individual giving in India still only constitutes 26% of total philanthropic giving in India, which is low compared to international standards[3]. In the United States and United Kingdom, for example, individual philanthropic giving constitutes 70% and 60% respectively of total philanthropic giving. However, it is unclear as to the methodology used to estimate figures on philanthropic giving in India.

Figure 1: HNWI Population Growth (2008-09)



HNWI: person with assets of $1 million or more (excluding primary residence, collectibles and consumables)
Source: World Wealth Report 2010, Capgemini and Merrill Lynch

Table 1 below summarizes available information on philanthropic giving of the twenty richest Indians. Table 1 (a) lists six additional foundations based on an informal survey of development practitioners on new foundations established over the last seven years. Some methodical caveats apply, which are listed in detail in the Methodology section above. A number of clear trends are visible across HNIs assessed, illustrated in figures 2 (a) – (d).

Figure 2 (a) - Individual Giving Vs. Linked Company Foundation

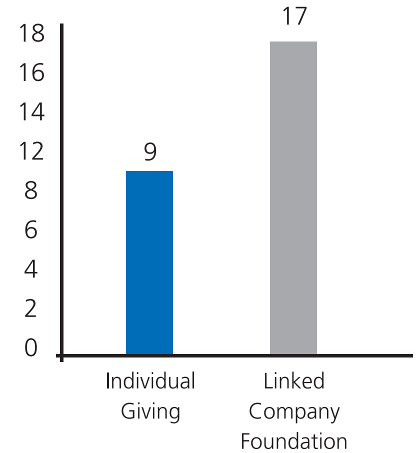


Figure 2 (b) - Objective of Giving

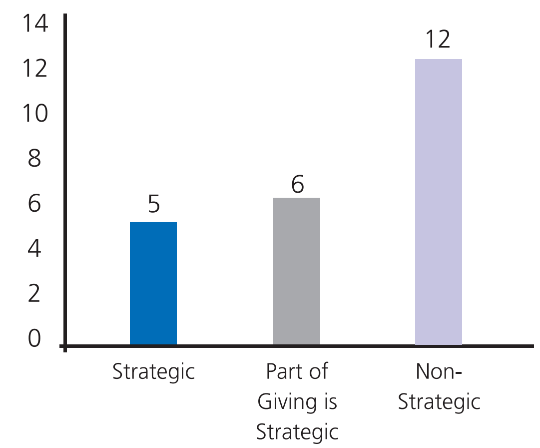


Figure 2 (c) - Transparency in Spending

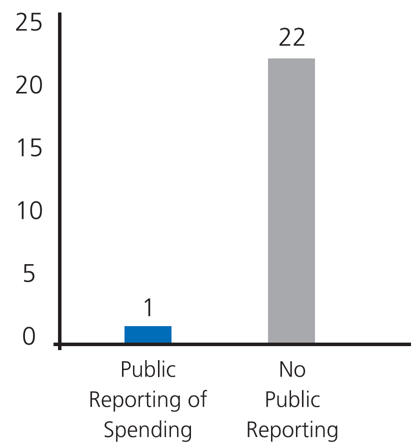
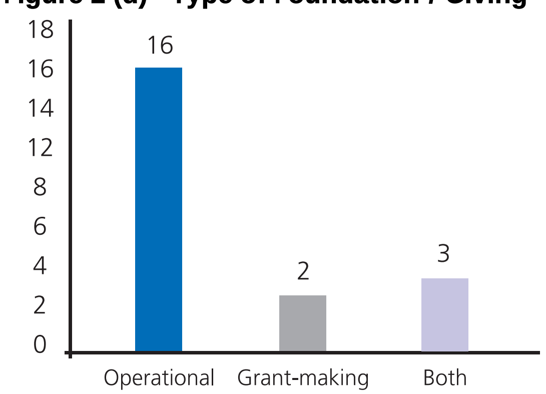


Figure 2 (d) - Type of Foundation / Giving



Individual giving versus linked company CSR foundation: A number of the richest Indians seem to conflate giving through their companies with individual giving. A number of HNIs had no known source of individual giving but were closely associated with their linked company giving. Often, a spouse or other family member was found to play a leading management role in the linked company's foundation. 62% of respondents in a 2010 UBS-INSEAD study said that their foundations were family or individually managed and only 38% said that they were professionally managed[1].

1. Emily Jansons, From Gaining to Giving Wealth: Business Leader Philanthropy in India, December 2012, page 7
2. Charities Aid Foundation India, India Giving, November 2012, page 5
3. Giving USA Foundation, Giving USA 2011: Annual report on Philanthropy, June 2011

Table 1: Review of Philanthropic Giving by the Richest 20 Indians (Forbes List of Richest Indians 2012)

	Name	Net Worth - Billions ($)	Description / Associated Company	Information Available on Significant	Associated Corporate Foundations	Organizational Form	Strategic	Sectoral Focus	Operational / Grant-Making	Geographic Focus	Reporting on Finances and Spending
1	Mukesh Ambani	21	Reliance - inherited, self made	No	Yes - Reliance Foundation	N/A	Yes*	Rural Development, Urban Development, Education, Health, Arts & Culture	Operational	National	No
2	Lakshmi Mittal	16	Arcelor-Mittal-self-made	Yes. Gita Mittal Career Development Center; Laxmi and Usha Mittal Foundation; Mittal Champions Trust	Yes - Arcelor Mittal Foundation	Trust	No	Livelihoods, Sports, Education	Operational / Grant-Making	Rajasthan, National	No
3	Azim Premji	12.2	Wipro - inherited, self-made	Yes - Aziz Premji Foundation	Yes - Wipro Foundation	Trust / Section 25 Company	Yes	Education	Operational	Chattisarh, Uttarakand, Karnataka, Rajasthan & Puducherry	No
4	Pallonji Mistry	9.8	inherited	No	Yes - Shapoorji Pallonji Foundation	N/A	Yes*	Livelihoods, Health, Education, Environment, Disaster Relief	Operational	N/A	No
5	Dilip Shanghvi	9.2	Sun Pharmaceuticals, self-made	No	No						
6	Adi Godrej and Family	9	Godrej Group, inherited	Yes - Pirojsha Godrej Foundation; Soonabai Pirojsha Godrej Foundation; Godrej Memorial Trust; Naoroji Godrej Center for Plant Research	N/A	Trust	No*	Education, Environment (Biodiversity)	Operational	N/A	No
7	Savitri Jindal and family	8.2	Jindal Group, inherited	Yes - O.P. Jindal Charitable Trust	Yes - JSW Foundation	N/A	No	Education	Operational	Hissar, Haryana;	No
8	Shashi & Ravi Ruia	8.1	Essar Group, self-made	No	Yes - Essar Foundation	N/A	No*	Livelihoods, Health, Education, Infrastructure and Environment	Operational	N/A	No
9	Hinduja Brothers	8	Hinduja Group, inherited	Yes - Endowments and Research Grants	Yes - Hinduja Foundation	Trust	Yes*	Education, Health, Arts and Culture, Sports	N/A	N/A	No

	Name	Net Worth - Billions ($)	Description / Associated Company	Information Available on Significant	Associated Corporate Foundations	Organizational Form	Strategic	Sectoral Focus	Operational / Grant-Making	Geographic Focus	Reporting on Finances and Spending
10	Kumar Mangalam Birla	7.8	Aditya Birla Group, inherited	No	Yes - Aditya Birla Foundation	Trust	No	Health	Operational	Maharashtra (Mumbai Pune)	No
11	Anil Ambani	6	Reliance-inherited, self made	Yes - Kokilaben Hospital	N/A	N/A	No	Education, Health	Operational	N/A	No
12	Sunil Mittal	5.9	Bharti Airtel, self made	Yes	Yes - Bharti Foundation	Trust	Yes*	Education		Punjab, Haryana, Uttar Pradesh, Rajasthan, Tamil Nadu & West Bengal	No
13	Shiv Nadar	5.6	HCL, self made	Yes - Shiv Nadar Foundation	N/A	Trust	No	Education	Operational	Tamilandu (Chennai, UP)	No
14	Kushal Pal Singh	5.5	DLF, self made	No	Yes - DLF Foundation	N/A	No	Education, Livelihoods, Health and Environment	Operational	Maharashtra, Uttar Pradesh, Haryana & Andhra Pradesh	No
15	Uday Kotak	4.3	Kotak Mahindra, self made	No	Yes - Kotak Educational Foundation	N/A	No	Education, Livelihoods	Operational	N/A	No
16	Gautam Adani	3.9	Adani Group, self made	No	Yes - Adani Foundation	N/A	No	Education, Health, Livelihoods, Water Conservation	Operational	Gujarat, Maharashtra, Madhya Pradesh, Rajasthan, Himachal Pradesh	No
17	Mickey Jagtiani	3.8	Landmark Group, self made	No	Yes - Life Trust		No	Education, Livelihoods	Operational	Maharashtra, Tamil Nadu, Karnataka	No
18	Anand Burman	3.5	Dabur, inherited	No	No						
19	Rahul Bajaj	3.4	Bajaj Auto, inherited, self-made	No	Yes - Schools, Hospitals, Jankidevi Bajaj Gram Vikas Sanstha, Jamnalal Bajaj Foundation, Jamnalal Kaniram Bajaj Trust and Jamnalal Bajaj Seva Trust	Trusts*	Yes*	Education, Health, Livelihoods, Rural Deveopment	Operational	Maharashtra	No
20	Cyrus Poonahwallah	3.3	Poonawallah Group, self made	No	No						

Table 1 (a): Additional Individual and Family Foundations

	Name	Net Worth - Billions ($)	Description / Associated Company	Information Available on Significant	Associated Corporate Foundations	Organizational Form	Strategic	Sectoral Focus	Operational / Grant-Making	Geographic Focus	Reporting on Finances and Spending
21	Gautam Thapar	1.5	Thapar Group	No	Yes - Avantha Foundation	N/A	Yes	Health, Governance	Grant-Making, Operational	Orissa, Madhya Pradesh, Rajasthan, Maharastra	No
22	Rohini Nilekani	*456 Million	Infosys, self-made	Yes - Arghyam Foundation	N/A	Trust	Yes	Drinking Water	Grant-Making, Operational	National	Yes
23	Ashish Dwavan	N/A	Chrys-Capital, self-made	Yes - Central Square Foundation	N/A	Trust	Yes	Education	Grant-Making	National	No
24	G. M. Rao	1.1	GMR, self-made	Yes - Public Commitment to Company Foundation.	Yes - GMR Foundation	Section 25 Company	No*	Education, Health, Livelihoods, Community Development	Operational	N/A	No
25	Nandi Foundation*		Multiple promoters				Yes	Child Rights, Livelihoods, Drinking Water, Research Projects, Hunger nd Malnutrition	Operational	Bihar, Punjab, Haryana, Rajasthan, Delhi, Madhya Pradesh, Nagaland, Chattisgarh, Orissa, Andhra Pradesh, Karnataka, Tamil Nadu	No
26	Ajay Piramal	1	Piramal Group	No	Yes - Ajay G. Piramal Foundation	N/A	*Yes	Health, Education, Youth Engagement	Grant-Making	N/A	No

Where both individual and family foundations existed, there were often porous boundaries between the two with shared management staff and infrastructure. According to Priya Naik, the Managing Director of Samhita, HNIs show a willingness to recruit serving or former senior management of their linked companies to manage their philanthropic initiatives as a result of which there is often a bias towards implementation: " . . . . there is a lack of an understanding of the complexities of the development issue [and instead] quickly identify a problem, identify a strategy; have a plan; have a budget, go go, go."

Previous studies have also flagged the blurred lines between individual and linked company giving. Emily Janson's 2012 study – "From Gaining to Giving Wealth: Business Leader Philanthropy in India" - conducted under the aegis of the International Development Research Center (IDRC) found that "The lines between business and private philanthropy are somewhat blurred, whether purposefully or not, with implications in regard to the areas they fund, control over philanthropic activities, and types of partnerships and models chosen.[2]"

One of the plausible reasons for the conflation of individual and linked company giving is the relatively high degree of promoter control over many of the leading Indian companies. As Arpan Seth's Overview of Philanthropy in India points out, "Much of corporate India is run by family-owned groups. Among the top 40 business groups, nearly 70 percent are family-owned or controlled enterprises. It is likely that some families and individuals view corporate responsibility initiatives as extensions of their own giving. And that may curb their interest in making personal donations.[3]"

Existing giving by HNIs is largely non-strategic: A majority of HNIs gave money to cover expenses of running educational institutions, hospitals and vocational training programs. Leveraging their giving to impact larger geographies and structural change in their focus sectors was very rare, with only five stating a strategic objective and an additional seven giving some smaller portion of their total giving to strategic causes. Of these 12, only five initiatives – Arghyam, Avantha Foundation, Azim Premji Foundation, Central Square Foundation and Nandi Foundation - had clearly articulated theories of change and a bulk of their giving for their chosen strategic causes. The other seven had no stated strategic objectives, but had made some donations that had the potential for strategic impact.

For example, the Hinduja Foundation has, in the past, funded research at the Harvard School of Public Health on developing pubic health systems and also partnered with the Administrative Staff College of India and Johns Hopkins University to develop a course on healthcare management, but the bulk of their giving since those initiatives is non-strategic, financing the running of hospitals, schools and the provision of scholarships.

Strong preference for operational foundations: Of the 26 HNIs assessed, 20 were giving through a foundation - either a family or a linked company foundation. Of these 16 were operational foundations directly implementing programs, 3 had both operational and grant-making components and only two were purely grant-making foundations. This tallies with the results of the UBS-INSEAD study in 2010, which found that 67% of respondent's reported that their philanthropic funding as directed toward direct operations and only 33% for some form of grants to outside organizations[4].

The strong preference for direct operations versus support to non-profit organizations seems to be based on two factors. Firstly, there seems to be a lack of confidence that donations made will benefit intended beneficiaries if routed through NGOs, who are often perceived as inefficient or corrupt. As encapsulated by Neera Nundy, Co-Founder and Partner at Dasra: "The challenge in India is that our institutions themselves are so weak that philanthropists who have significant amounts of capital feel that . . . let's build respectable trust-worthy high quality institutions, which in other countries are done by the government or by the private sector or by independent non-profits."

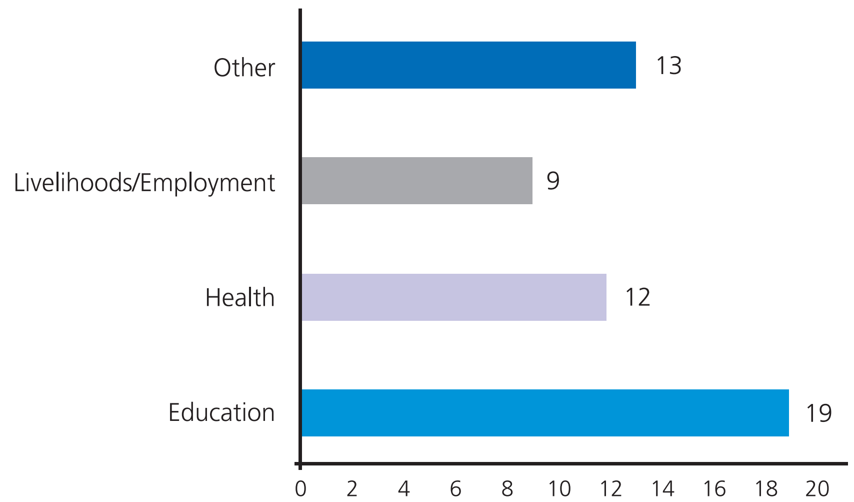
Interview respondents attributed this perception to sets of issues: the lack of appropriate communication and dialogue by the NGO-sector; and the absence of mechanisms to demarcate credible and efficient NGOs. According to Sanjay Aggarwal at Accountaid: "Civil society is engaging with itself . . .They are not able to do outreach to other groups. Development communications is too sophisticated. [They] are not able to say something simply." Payal Shah. Business Development Manager at Acumen Fund, also feels that inability to communicate outcomes in a compelling manner is a gap: " . . . we do not have information and there is a paucity in the ability to communicate outcomes as a sector . . . that is, these are the main gaps at the sectoral level and your giving will have the following impact."

Secondly, there is the perception that NGOs face challenges in scaling up operations, and the business expertise of donors and professional management that they can bring to bear on the problem will be a more efficient way to scaling up solutions to development problems. Anurag Behar, CEO of Azim Premji Foundation, encapsulated this approach in the following manner: "[The] Main challenge is execution. Capacity in the field [amongst NGOs] does not exist to work sustainably at scale. If we have to build capability to execute at scale, why not do it internally?"

There is widespread anecdotal evidence that implementation capacity, professionalism and transparency are widespread problems with non-profit organizations in India. The sheer number of non-profit organizations and poor regulation even on public reporting measures means that it is difficult to distinguish professionally run NGOs from the rest. A number of initiatives have sprung up to address this gap, which are discussed in the Intermediary Organizations section below.

Choice of focus area based on promoter's personal experience and limited to a few sectors and seems to exclude some regions: As illustrated in figure 2 (e), philanthropic giving by family and linked foundations reviewed is primarily directed at education, health and livelihood initiatives. "Other" initiatives listed included six different areas including drinking water, rural development, hunger and malnutrition, youth engagement, sports, and arts and culture. Neera Nundy, Co-Founder and Partner at Dasra, feels that although education, health and livelihoods are overwhelmingly the main areas that philanthropists are giving to, " . . . there are actually a group of people [HNIs] who are sector agnostic and can be shaped into being involved in a sector if they're convinced if the impact and scale of their involvement can be significant," but that a significant amount of work needs to be done in reaching, communicating information to and handholding such donors.

Figure 2(e): No. of Foundations Assesed Listing as Main Focus Area



Selection of focus areas for philanthropic giving is primarily based on personal experience and beliefs of the donor rather than a detailed analysis of gaps, strategic fit and potential intervention strategies. The rationale offered by one foundation (below) for picking a focus sector exemplifies the approach of a majority of foundations assessed as part of this study.

"Why is the ____________ Foundation's major focus on education?

__[Founder]________ believes that he is a product of education; and that if there is a tool that can empower individuals and narrow the socio-economic/rural-urban divide, it is transformational education."

A number of respondents felt that detailed information to assist in selecting focus areas and planning intervention strategies in sectors such as education were available from institutes such as TISS, leading non-profit initiatives with a track record of work in the sector such as Pratham, and various research briefs on components of educational reform. But, based on their stated rationale for selecting focus areas in their annual reports and web-sites and on interview responses, few promoters seem to make the effort to track down such information from multiple sources and to synthesize it into a rationale for their philanthropic strategy and interventions.

A review of geographic area of operations reported by family foundations also seems to suggest that certain regions – particularly the North East and Jammu and Kashmir – are underrepresented. However, due to the gaps in reporting, more research is needed as even philanthropic giving in other states may not be focused on areas with the highest relative poverty levels.

No public reporting of expenditures: Only one – Arghyam - of 20 individual and family foundations assessed as part of this study reported spending information publicly. There was thus no way to independently corroborate the quantum of total philanthropic transfer to the linked foundation, other than media reports based on claims by the individuals themselves.

There was also no data on total annual spending by the foundations or on spending on individual initiatives and grant recipients and amounts. This makes it difficult to find the actual expenditures of foundations on an annual basis. For example, based on media reports, the Bajaj trusts have amassed $150 million, and the Bharti Foundation, started by Sunil Mittal, has amassed approximately $60 million[5]. However, it is unclear how much either of these foundations actually spends on philanthropic activities.

The primary reason for non-disclosure seems to be the lack of any legal requirement to do so. According to Rohini Nilekani, reporting of philanthropic expenditures is low as there is " . . . no requirement to do so under law and it is not part of their articulated philosophy. There is room for an external organization . . . to help develop an accountability framework [for philanthropy in India]. But it will be important to focus on the process: it will take time and support for multi-stakeholder dialogue for standards to emerge [domestically]."

1. UBS-INSEAD, Study of Family Philanthropy in Asia, 2011, page 43
2. Emily Jansons, From Gaining to Giving Wealth: Business Leader Philanthropy in India, December 2012, page 3

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES (CSR)

IV. Corporate Social Responsibility Initiatives (CSR)

With the growth of the private sector since economic liberalization, private companies have emerged as a major source of developmental funding through their CSR initiatives. This section looks at the current CSR landscape and at the potential impact of the new companies bill.

Appendix 3 below summarizes information culled from annual reports and web-sites on CSR initiatives of the top 50 companies by stock market valuation in India. A number of clear trends are visible, illustrated in figures 3 (a) through (c).

Linked Corporate Foundations: Most private sector companies operate through linked foundations that are legally separate entities. These foundations are registered primarily as trusts, and less commonly as section 25 companies. In many cases, dedicated professional staff were specifically hired to run the foundation, although there some high profile instances – including Reliance and Bharti - of promoters and family members of promoters being involved in governance of the linked corporate foundation.

Companies transfer an amount to the linked foundation every year to run CSR initiatives. The budget amount is fixed based on budget plans submitted by the linked foundations and decisions on fund-transfer by senior management, which seems to be driven primarily by profitability in that financial year. Average spending by the top 50 companies by market valuation - that reported their spending was 46.3 crores in 2011-12 [after removing one outlier data point, Coal India, which reported spending 555 crores in 2011-12]. This level of spending – and many companies spent more than the average as illustrated in figure 3 (b) - is significant when compared against some of the leading Indian philanthropic organizations. The Sir Dorabji Tata Trust, for example, disbursed 72.8 crores in 2011-12 and the Sir Ratan Tata Trust disbursed 167 crores in the financial year 2010-11.

Figure 3(a): No. of Top 50 Companies (by Market Valuation) Reporting CSR Spending Publicly

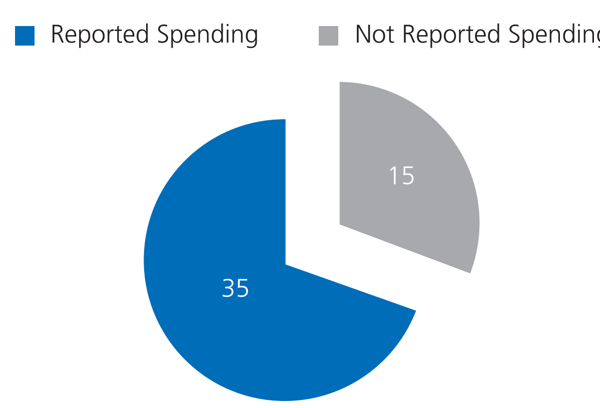
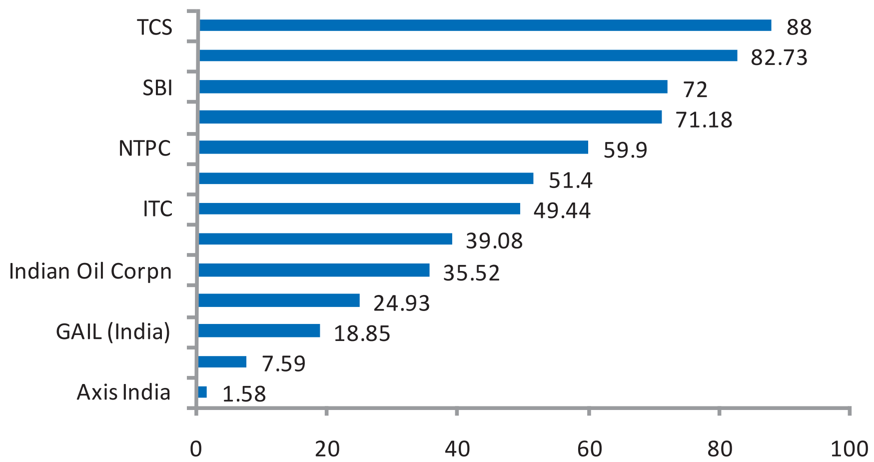


Figure 3. b. Spending by top companies



No public reporting of CSR spending: As illustrated in figure 3(a), a majority of the top 50 companies by market valuation did not report any data on financial outlays on their CSR programs publicly. A number of reasons were cited in interviews with the most common ones being "not required to do so" and "we have not really thought about it". According to Priya Naik, the Managing Director of Samhita, there are three reasons why companies do not report CSR spending: "One is that people don't track it because there may not be a dedicated person in charge of it. So the data is not getting captured and reported.... and there may also be no reporting structure available. Second, even if there is CSR manager tracking the grant and is meant to collect information, most people do such scattered philanthropy - 5 crore budget spent on 50 things and spent in an ad hoc manner. [Companies] can't give all 50 names in an annual report. Third, even if some grants have been made and information collected, most CSR managers struggle to get impact information."

Limited tracking of and reporting of impact assessment: With a few notable exceptions – concentrated disproportionately in the banking and finance sectors - most corporates did not publicly report or even seem to track impact of CSR initiatives. Numbers of people reached were mentioned in many cases, but no data in terms of achievement of stated CSR program objectives - such as increase in income or positive educational or employment outcomes – were reported. The exceptions – that undertook some combination of baseline studies, collecting detailed data on impact and commissioning third-party impact assessment reports, or some combination of these measures – included ICICI, Goldman Sachs and RBS.

Narrow sets of focus areas, not correlated with core strengths and knowledge areas of the company: As illustrated in figure 3(c), CSR initiatives were primarily focused on four sets of areas: health, education, environment and livelihoods. Four other areas appeared multiple times as focus areas: emergency aid during disasters, working with

disabled populations, infrastructure development and women's empowerment.

A wide range of key development gaps and problems including drinking water and sanitation; urban issues including urban poverty and affordable housing; hunger and malnutrition; caste, gender and religious discrimination; and redressal of human rights violations were completely absent from the list of areas funded under CSR programs in the corporate sector. Particular regions – such as the North East and Jammu and Kashmir – also seem to be underrepresented in CSR spending.

Box 1: Development Challenges

There are a wide range of development challenges being faced by different sets of vulnerable populations in India that fall outside of health, education, livelihoods and environment. They include:

Discrimination: Discrimination by religion, caste and gender are pervasive in India. Multiple sets of studies have documented the wide range of discrimination faced by two sets of populations – Dalits and Muslims – even in urban areas and in the private sector.

The Sachar Committee report which examined the status of the Muslim community in India in 2006 detailed large gaps in access to schooling; participation in professional and managerial occupations; under-representation in both public and private sector employment; and access to credit.

Urban Poverty: According to the Planning Commission, in 2004-05, 80.8 million people out of an estimated urban population of 309.5 million people in were below the poverty line in India. This number constituted 28% of the total number of the urban poor globally. Over the past three decades (1973-2004), the numbers of the urban poor in India have risen by 34.4 per cent. In addition to livelihoods, a range of development factors are closely related to urban poverty, including · affordable housing; and access to drinking water and sanitation. For instance, "34.5 per cent of the population of Mumbai, Delhi, Kolkata, and Chennai live in slum settlements."

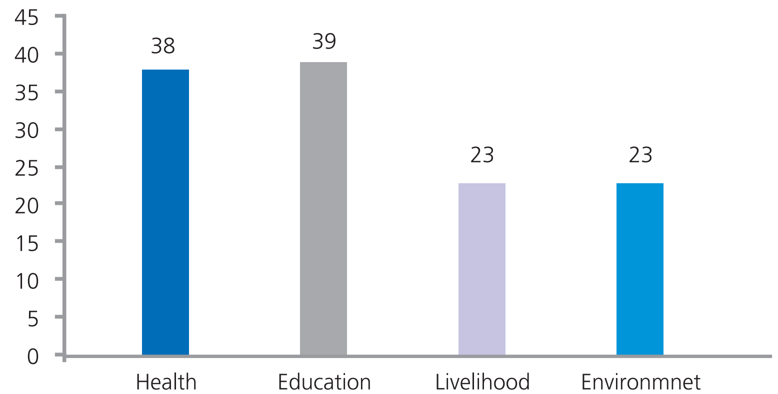
Human Rights Violations – In addition to physical violence against vulnerable populations including Muslims, Dalits and women; multiple studies and investigative reports have found widespread problems with human rights abuses in India. These include police torture and custodial killings; human rights abuses by security forces in insurgency-hit areas in the North East, Jammu and Kashmir and parts of central India; and human trafficking of women from neighboring countries into India.

Why are social justice and range of other issues missing from the radar of CSR initiatives and decision makers? The scale of some of these problems [See Box 1] and frequent reporting in the media make it surprising that philanthropic giving is not supporting a broader range of issues. According to Priya Naik of Samhita, the challenge is not only in reaching a decision maker, but also collating information and making a focused pitch for support to social justice issues:

"What does the country need and where do you fit in? Do I have a compelling story to tell them? Say I go to someone and say you should support human rights. But they are going to ask me, "But why?" Give me data. I have to show what has been done, what needs to be done. Who is doing something? Where can my money play the biggest role? What are the challenges that you are expecting me to face? How do I deal with the government and the issue of human rights? What if some minister takes offence and shuts down my company? How do I think about the risks that come onto me in supporting a risky cause? And I don't have the answers. The only way is if intermediaries collaborate on this."

There was also rarely a correlation between core strengths and knowledge areas of the company and the focus areas that it chose. Again, the banking sector was an exception, with a clear trend of banking companies focusing on financial inclusion efforts through supporting microcredit initiatives.

Figure 3.c. Number of top 50 Companies reporting as focus of CSR



Focus on organizational structure and operational efficiency: Across organizations interviewed [See Appendix 1], there was a strong focus on operational efficiency, in terms of looking at the structure of linked foundations, staffing patterns and "efficiency" in spending. However, there was less emphasis on and no well-developed processes followed for steps preceding setting up operations – such as choice of focus areas and environmental scans – and post-operational spending steps such as communicating efforts and conducting impact assessment.

There was no evidence of processes being followed in choice of focus areas through a review of the company's operations, core competencies and stakeholder, strategic and brand-related interests. The choice of focus areas seemed to be primarily driven by the personal knowledge and interests of board members, CEOs and senior management of companies.

Growth in reporting of broader sustainability practices in the corporate sector: In August 2012, The Securities and Exchange Board of India (SEBI) mandated reporting on a broad range of sustainability measures for the top 100 listed companies by market valuation in the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The reporting framework was based on the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) developed under the aegis of the Ministry of Corporate Affairs, Government of India.

The NVGs benchmark global best practices in sustainability efforts in a range of areas larger than just CSR efforts and relating to core business operations of companies. These best practices include ethics, transparency and accountability in governance; safety and sustainability of products offered; promotion of well-being of employees through efforts such as the right to association and collective bargaining; respect for interests of all stakeholders, especially marginalized populations; respect for and promotion of human rights; promoting environmental sustainability; exercising responsibility in lobbying efforts; and promoting inclusive growth.

The NVGs and the SEBI mandate have spurred greater attention to and reporting on these factors amongst companies, which has the potential for large-scale impact through transforming core business operations of the company. Interestingly, there was no evidence of companies systematically linking CSR programs to the larger NVG sustainability agenda, with decision-making on CSR and sustainability issues being made in different parts of the company. As detailed above, CSR efforts were most through independent linked foundations and broader sustainability decisions were being made within the company.

According to Laura Donovan, the CEO of Partners in Change, there is the risk that mandatory CSR spending under the new companies bill will hamper the movement toward greater attention to sustainability in core business operations by narrowing the debate around greater CSR spending.

a. Scenario under the New Companies Bill

Appendix 2 gives excerpts of the new Companies bill relating to CSR spending of companies. Key aspects include mandating – for companies having net worth of 500 crores, total turnover of 1,000 crores or total profit of 5 crores - the composition of a CSR committee at the Board level, which will develop and suggest a CSR policy to the Board; public disclosure of the CSR policy adopted on the company website; and CSR expenditure of 2% of average net profits of the company over the previous three years. All but two of the top 200 companies reviewed would fall under the ambit of the CSR provisions of this bill as they had net profits of greater than 5 crores in financial year 2011-12.

The bill has been passed in the Lok Sabha and is now awaiting introduction in the Rajya Sabha. Although it is unclear, given the legislative backlog, as to when it will be introduced and passed into law, there is wide agreement across the political spectrum on the bill and it is expected to pass eventually. The bill will have a significant impact on CSR spending and on the overall philanthropic landscape in India if it passes without alteration.

Board-level focus on CSR policy and spending: The new bill mandates board involvement through setting up of a CSR Board sub-committee tasked with development of a CSR policy and oversight of implementation of the policy. Thus, it will force greater board-level involvement and create opportunities for engagement on CSR issues at the board and senior management level.

Increased expenditure on CSR initiatives: Despite perceptions to the contrary, the bill will not mandate CSR expenditure, as in case of failure to spend the 2%, it only enjoins the company to "... specify the reasons for not spending the amount." However, board-level engagement and the threat of punitive government action and bad publicity will force most companies to work toward spending the 2% target. Appendix 3 lists the potential spending-levels of the top 200 companies by market valuation based on their net profits for the previous three years.

Total CSR spending targets by the top 200 companies under the new bill will be Rs. 5,874 crores. To put this number in context, it would be approximately 21% of the total 2012-13 annual budget of Rs. 27,258 crores for the Sarva Shiksha Abhiyan, the flagship education scheme of the Government of India, which reaches 192 million children; and 31% % of the total annual budget of Rs. 19,120 crores in the same year for the National Rural Health Mission, the Government's flagship scheme for the health sector.

As illustrated in Figure 4 (a), average CSR spending by the top 50 companies by market valuation will be 68.4 crores after removing two outliers - Reliance and ONGC, who will have CSR spending targets of 377 and 405 crores respectively. This average is an increase of approximately 22 crores over the average spending of the 15 (of the top 50) companies reporting CSR spending currently.

Figure 4 (a) - CSR Spending of Top 50 Companies under Proposed Bill (Rs. Crores)

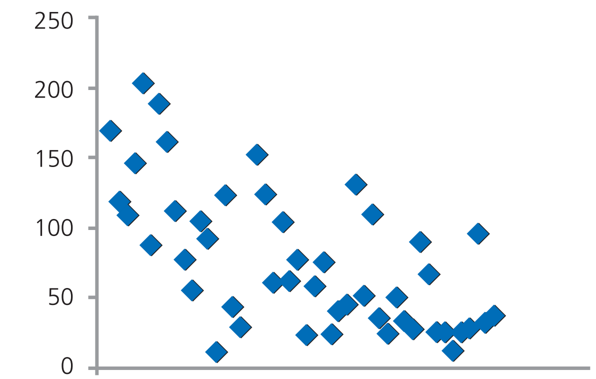
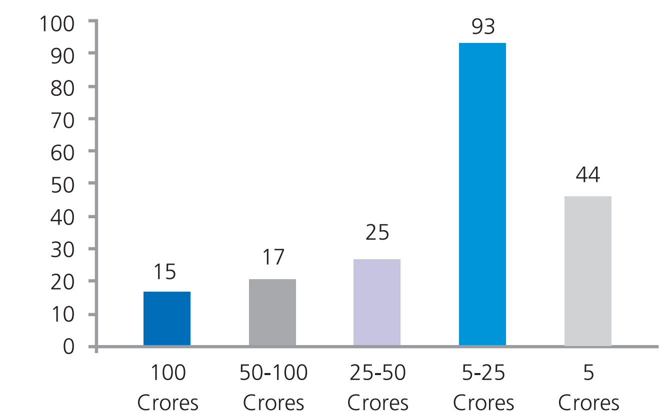


Figure 4(b) - Breakup of Top 200 Companies by Size of CSR Budget



As illustrated in figure 4(b), 63% of the 200 companies assessed will have a CSR budget of less than 25 crores. However, 32 companies will have annual CSR budget targets of over 50 crores, making them amongst the largest philanthropic organizations working in India.

Greater transparency on CSR spending and initiatives: The new companies bill will lead to mandatory reporting of total CSR spending. Based on the provisions of the companies bill, which empowers the government to mandate the structure of reporting; and efforts by the Ministry of Corporate Affairs to develop reporting metrics, companies will also likely have to report detailed data such as breakup of spending on administration, human resources and direct program expenditures on its website and as part of its annual report.

INTERMEDIARY ORGANIZATIONS

V. Intermediary Organizations

Along with the growth in new sources of philanthropy, there is also a growing category of intermediary organizations that seeks to engage with HNIs and companies to encourage greater giving; and influence such giving and increase its impact through research, advisory and management services.

The oldest of such intermediaries are Partners in Change and the Centre for Advancement of Philanthropy (CAP). PIC was promoted by Action Aid in Delhi in 1993 and sought to engage and influence CSR spending by companies. CAP was established in Mumbai in 1986 and has been offering consulting and philanthropic advisory services to companies. Both PIC and CAP have also been engaged in advocacy efforts at various government and public forums toward creating a more favorable policy framework for philanthropy in India.

More recently, Dasra has emerged as a major actor in the Indian philanthropic space, providing a range of advisory service to donors; managing awards and programs for corporate partners; introducing innovations such as the Giving Circle, which enables HNIs to pool their giving to common causes and organizations; and organizing an annual Indian Philanthropy Forum in Mumbai. Dasra has seen an exponential increase in the amount of philanthropic giving that it channels. According to Neera Nundy of Dasra, "Over the past 10 or 11 years we routed $11 million in total; and in the last quarter alone we've routed $11 million. We see a lot more large announcements or interest in putting large announcements."

Samhita, established in 2009 in Mumbai, is also emerging as a major actor in philanthropic advisory and management services and focuses on engaging with companies to improve their CSR programs. Samhita is also in the process of building a database of NGOs vetted by the organization against a "credibility framework" developed by it. In addition, a number of players have recently initiated or are in the process of offering philanthropic advisory and other intermediary services including Dahlberg Global Development Advisors, Social Venture Partners India and FSG Social Impact Consultants.

There are also a few initiatives underway that seeks to build platforms to encourage giving by HNIs and to share information on philanthropic giving in specific sectors. Bill Gates and Warren Buffet held meetings in India[1] to get the wealthiest Indians to join the Giving Pledge, a global initiative to get wealthy individuals and families to give away a majority of their wealth to philanthropy. The Giving Pledge currently has 114 signatories, primarily American, and so far has only one formal Indian signatory – Azim Premji.

Another major initiative – The India Philanthropy Initiative (IPI)- promoted by Bill Gates, Rohini Nilekani, Azim Premji, and Ratan Tata is in its infancy, having held one meeting so far. The IPI seeks to promote strategic giving in India and to develop standards for such giving in the long run. Another series of roundtables promoted by the Omidyar Network seeks to promote discussion and coordination on making impact investment efforts more effective.

A major intermediary that may emerge in corporate CSR is the National Foundation for CSR (NFC) being promoted by the IICA, under the Ministry of Corporate Affairs. The NFC, still in the process of formation, is slated to serve as an enabler and facilitator for corporate CSR after the passage of the new companies bill. It plans to offer platforms for training and capacity building services on building more effective CSR programs; due diligence and accreditation of NGOs that can then be supported through CSR grants; developing case studies on best practice in CSR; and offering a nine-month certificate course in managing CSR programs.

While such intermediary organizations and initiatives are playing a key role in expanding and structuring the philanthropic sector in India, there continues to be a number of important gaps that they have yet to address fully. These include quality research services that pull together current "state-of-the-sector" overviews to guide philanthropic efforts; databases and analyses of existing philanthropic spending in India; platforms for information sharing on philanthropic efforts in specific sectors; and in-depth impact assessment services benchmarked against best practices in the development sector. Many of the new actors in this space also have fee-for-service models and seek to actively engage and partner with potential donors, which makes their ability to hold such donors to account on issues such as transparency and improving impact of philanthropic spending unclear. There is also room both for collaborative efforts between existing intermediaries; and for new organizations and initiatives to work on expanding the breadth of philanthropic support to include more 'difficult' social justice issues.

[1] http://forbesindia.com/article/biggest-questions-of-2012/will-th
e-first-indian-billionaire-sign-the-giving-pledge-in-2012/
31652/1

REGULATORY AND TAX ISSUES

VI. Regulatory and Tax Issues

There are three distinct sections of the Indian Income Tax Act, 1961 that potentially influences philanthropic giving directly:

- For NGOs and Trusts: Registration under Section 12A of the Act for recipient organizations, which exempts their income from taxes, thereby ensuring that no part of a philanthropic donation is 'lost' to taxes instead of being applied to the intended philanthropic initiative.
- For individuals: Registration under Section 80G of the Act for recipient organizations, but which allows donors to claim a tax deduction on donations made to such organizations. Section 80G limits the tax exemption to 50% of the donation made, except for a list of 20 National Funds and 6 national political parties. It also limits the total donation to which the 50% or 100% exemptions are applicable to no more than 10% of the gross income of the individual.
- For companies: Registration under Section 35AC of the Act, again for recipient organizations and specific projects within organizations, but which enables corporate and business donors to such organizations to treat donations as expenditures, thereby effectively claiming a 100% tax deduction. The registration is given after an assessment of the application by the National Committee for Promotion of Social and Economic Welfare (NCPSEW), a statutory body set up by the Government of India solely for this purpose.

In addition, the Foreign Contributions Regulation Act (FCRA), although not a tax regulation and implemented by the Ministry of Home Affairs (MOH), regulates giving by non-Indian donors to Indian philanthropic organizations. Originally passed in 1976 with a subsequent round of modifications in 1985, the FCRA act requires every NGO in the country that wants to access grants from foreign sources to get permission from the MOH, either on a case by case basis or through a one-time registration and filing of annual accounts.

These sections were found to influence philanthropic giving in the following ways:

- **Limits on tax exemptions for philanthropic donations does not seem to be an issue for individuals:** Although there were mixed responses, a majority of interview respondents, including all the tax specialists interviewed reported that taxation issues did not have a major effect on individual donors as they are personal decisions motivated by the desire to give or to support a specific cause. According to Sanjay Patra, the "Individual giving is not affected by tax treatment. Business giving is affected by tax rates as they are more logical decisions."

- **Companies reported lack of clarity on tax treatment of spending by linked foundations as a problem:** Linked corporate foundations reported arbitrary tax demands and harassment by income tax authorities as a problem.

Reviewing 35AC approvals for the previous three years made publicly available by the Department of Revenue, Government of India, no corporate foundations were found to be registered under section 35AC, which means that companies could not claim a tax deduction on a transfer of money to its linked foundation. On the face of it, therefore, it seems that under the current dispensation, companies get no tax benefits on CSR programs implemented through their linked foundations. Further research is required to understand whether companies can claim "pass-through" tax benefits – whereby grants by linked foundations to 35AC approved organizations and projects accrue any tax benefits to the parent company.

- **FCRA act is a major constraint to raising philanthropic funding from outside India:** The FCRA act plays a major role in constraining both the ability of donors outside India, including Non Resident Indians, to support philanthropic causes in India and constraining the ability of Indian NGOs and charitable organizations in soliciting philanthropic support from outside India. According to Mr. Sanjay Patra, Executive Director, Financial Management Service Foundation, the FCRA act also affects charitable contributions by companies. "Under the act, even companies registered in India are treated as foreign sources if more than 50% of their stock ownership is by foreign sources. So companies like Infosys and HDFC would also fall under the ambit of the FCRA act when making donations. [Companies designated as foreign sources would] also have to get FCRA clearance to donate to their own linked trust."

  Interview respondents reported two additional specific examples of the detrimental effect of the FCRA act: NRIs represent a large potential donor pool that is difficult to develop; and considerable expenses and management focus is diverted to building structures and processes to ensure compliance with the FCRA act.

- **Interpretation by tax authorities on what constitutes a 'charitable' activity' may be shaping what kind of initiatives and areas are receiving donations:** Again, due to the lack of data on giving, it is difficult to prove conclusively, but anecdotal evidence and perceptions of tax experts suggest that changes in the way in which tax authorities interpret which organizations are eligible for registration under Sections 12A, 80G and 35AC can influence the sectors into which philanthropic giving flows. Tax authorities are increasingly narrowing the scope of what qualifies as 'charitable' activity.

  Registrations under both section 80G and 35AC favor organizations providing direct benefits such as running schools, hospitals and orphanages.

  In 2011, a total of 98 fresh approvals for tax exemptions were given under 35 AC by the NCPSEW, of which data for 68 are available online[1]. Of these, all 68 tax exemption approvals were towards supporting institutional costs of organizations offering direct services, such as those running hospitals, schools and elderly care centers. 50% of approvals were for direct services in health alone, followed by education (13%), livelihoods (10%) and disabled and elderly care (10%). Only 8 of these grants also had some potential strategic objective such as for example, the Naandi Foundation scaling up delivery of higher quality meals as part of the mid-day meal scheme through the use of centralized kitchens.

  The emphasis on direct services only disadvantages strategic philanthropic organizations and initiatives working on a range of other critical areas, such as human rights and combating discrimination, for example; as well as an emerging class of social entrepreneurs that are seeking to apply business principles such as fee-for-service models to development initiatives. Such organizations are unable to get exemptions under 35 AC and tax experts felt that not being able to give any tax benefits to donors – through registration under either 80G or 35AC - would negatively influence philanthropic giving by companies and by individuals, especially in the long run.

The ideal role of private philanthropy in society and the role of the government in seeking to promote such a role through tax and other policies require a broad discussion that is beyond the scope of this study. But, globally, except in cases of emergency aid, the greatest impact of private philanthropy has been in cases where it has been strategic in nature and sought to develop new models of addressing key development challenges and influence the nature of larger public attention and spending on these challenges. Arguably, with massive increases in social sector spending by the Indian government, the marginal impact of the relatively minuscule amounts of private philanthropic giving on offering direct services is low.

Although this is an area that requires much further research and public discussion to evolve a broader consensus on what kinds of philanthropy we as a society want to promote, there can perhaps be broad agreement on the basic premise that tax policies and other regulations should seek to expand the set of choices for both donors and recipient organizations on the development gaps they want to address through their giving; the strategies and models employed; and the target disadvantaged populations they want to serve.

[1] http://dor.gov.in/national_committee_dt

POTENTIAL INTERVENTIONS

VII. Potential Interventions

Based on the findings above, there are a number of areas for potential interventions to improve the emerging philanthropic landscape in India. This sections looks at laying out objectives, approaches and an outline of specific interventions that can be undertaken.

b. Objectives of Interventions

The overall objective of interventions in the Indian philanthropic sector should be to increase the amount of philanthropic giving and to maximize its impact. Within this overarching goal, interventions need to focus on the following objectives, based on gaps thrown up by the information and analysis above:

- Developing broadly accepted standards on philanthropic giving, benchmarked against best practices internationally, including instituting component processes (described below) such as transparency norms and tracking and reporting impact.
- Assisting donors and potential donors in meeting these standards.
- Deepening the pool of development gaps which emerging philanthropic funding supports to better reflect the range of development problems affecting disadvantaged and marginalized communities.
- Developing platforms for coordination and information sharing both for philanthropic giving as a whole and for specific sub-sectors.

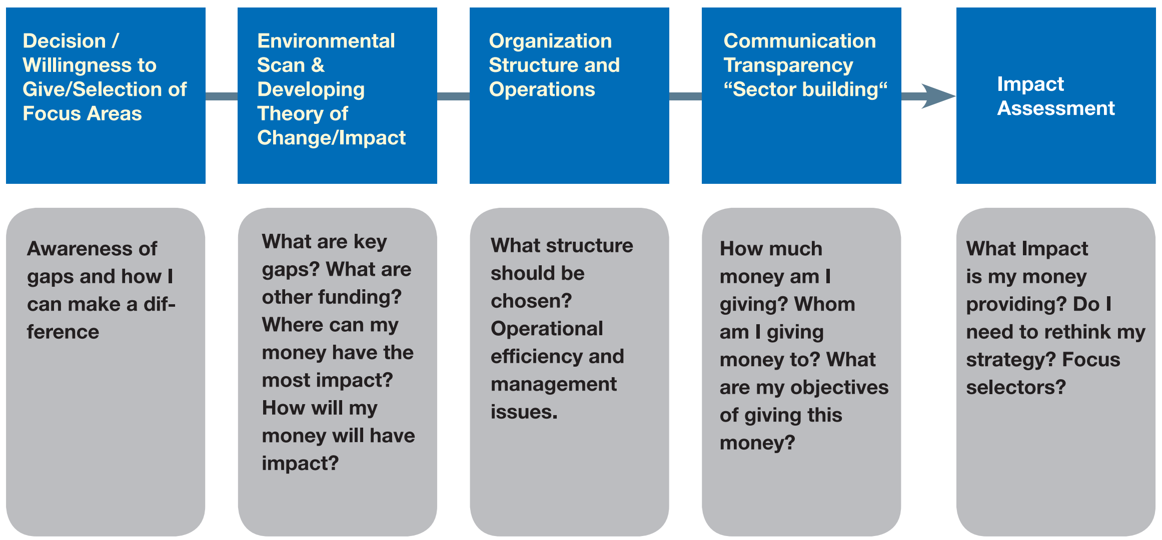
i. Processes for Building a Strategic Philanthropic Initiative

At this stage, it would be useful to delineate the different steps of building an effective strategic philanthropic initiative, based on global best practices by established philanthropic foundations and initiatives. The process described below is meant to be an outline, to spur further discussion and dialogue and guide nascent philanthropic initiatives. It is not meant to be a comprehensive overview on building an effective philanthropic initiative. Also, although it is written with companies in mind, given the potentially larger audience amongst corporate CSR programs, it is equally applicable to individual HNIs seeking to build such philanthropic initiatives.

An effective philanthropic process involves a number of components analogous to the process for a company or entrepreneur considering a new business or entering new markets. These steps are illustrated in Figure 5 above and include:

1. **Selection of focus areas:** The first step in a philanthropic initiative is deciding on a focus area. Similar to exploring new markets, this step should start from a review of the core competencies of the company; existing developmental gaps; strategic match between a potential focus area and the company's operations, the stakeholders it works with and its brand; and an assessment of the company's ability to build a credible and effective intervention in the selected focus area. This

Figure 5: Process of Building Strategic Philanthropic Initiatives



step primarily seeks to answer the following questions:

a. What are key development gaps?
b. Which gaps make sense for me to work on given my skill sets, knowledge and the amount of money I am willing to give?
c. Can I have an impact in addressing these gaps?

2. **Environmental scan and choosing desired outcomes** – Similar to researching competitor's products when entering a new market, this step seeks to look at existing initiatives in the sector to collect and analyze information on initiatives being run by other donors; under-funded segments and opportunities for creating new models of interventions; and analyzing where the donor's money could have the most impact. This step primarily seeks to answer the following questions:

a. What are gaps within my chosen focus area?
b. What initiatives are others funding? Are there existing initiatives that I can collaborate with?
c. What new products or models can I develop in the selected sector given my knowledge and core competencies?
d. Where can my money have the maximum impact?
e. What are my desired outcomes in this sector?

3. **Organizational structure and operations:** This step looks at the components of building an efficient organization to achieve the desired outcomes, including organizational structure, staffing patterns and mode of operations in terms of direct operations or supporting existing civil society organizations and social entrepreneurs through grant and investment support. This step primarily seeks to answer the following questions:

a. How do I most efficiently achieve my desired outcomes?

4. **Communications and transparency** – This step looks at clearly communicating philanthropic efforts including spending, initiatives undertaken and outcomes achieved. In addition to meeting best-practice transparency standards, communicating key metrics on philanthropic initiatives will also help in building a body of knowledge on particular focus areas such as education and enable better coordination in selected focus sectors.

5. **Impact Assessment –** This step seeks to clearly measure outcomes, with the objective of monitoring the effectiveness of philanthropic spending and to better inform strategic decisions on philanthropic initiatives. This step primarily seeks to address the following questions:

a. What impact is my money having?
b. Do I need to rethink my strategy or choice of focus area?

c. Intervention Approaches and Potential Interventions.

Potential interventions to move the philanthropic sector in India toward the best practices described above can be categorized broadly into three approaches based on the different types of relationships it seeks to build with donors and potential donors; the nature of interventions it requires; and the different skill sets and networks needed to implement them.

1) **Capacity Building:** One approach to interventions is to primarily focus on building capacities at both the sectoral and at the individual level through partnerships with donors, potential donors and other intermediary institutions. At the sectoral level, such as approach can focus on building platforms, generating knowledge through primary research, and raising awareness on best practice through information campaigns. At the individual level, such an approach can seek to build the capability of individuals and companies across a range of activities so as to more effectively deploy philanthropic giving. This would include engaging with individual philanthropists through information briefs, providing best-practice models and other advisory services. As described above, the capacity-building approach pre-dominates amongst existing initiatives by intermediary organizations.

a) **Policy research and advocacy:** A substantial component of the capacity building approach would be to conduct research and advocacy toward creating a more conducive enabling environment for effective philanthropic initiatives. This would include fostering a broader understanding within relevant government forums as to what its approach to private philanthropy should be; and reforms of tax and other policies.

Potential interventions under this approach include:

- **Intervention 1: Knowledge building, information briefs and awareness campaigns**
  Interventions should seek to create information briefs based on both secondary and primary research on best practices in philanthropic giving; and information on the landscape in particular sectors such as education that guides philanthropic giving to those sectors. Such briefs should include information on the main gaps on a range of sectors including social justice issues that are currently under represented in Indian philanthropic giving; case studies on initiatives that are already underway; working papers to deepen the debate within particular sectors; and a summary of research and practitioner experience on different intervention strategies to guide potential donors.

  An integral part of such an intervention will be putting a distribution system in place to ensure that such briefs reach their intended audience: both individual HNIs and corporate decision makers at the board and senior management level. Potential distribution strategies include partnerships with wealth management units at banks; partnerships with consulting firms such as McKinsey, Bain and Deloitte that advice individual and corporate clients on a range of issues; partnerships with intermediary organizations that already work with potential donors such as Dasra and Samhita; and through publicity campaigns that use different advertising media.

- **Intervention 2: Sectoral Platforms**
  Interventions should seek to develop sectoral platforms - through providing funding, research and logistical support - for information sharing and coordination platforms, both for the philanthropic sector as a whole and for specific sub-sectors such as education and health. Again, the quickest way to develop such platforms is to support existing initiatives - developed through domestic interventions - such as Dasra's India Philanthropy Forum; the round-tables initiated by the Omidyar network on enhancing impact of social investing; and the India Philanthropy Initiative.

  There are almost no initiatives on sector-specific platforms in areas such as education and health and this should be a major focus area for interventions as there is room for sharing of information and experience to improve the multiple interventions underway in these sectors. Interventions should also target platforms to deepen the pool of issues that philanthropy supports and to promote discussion and giving to areas such as human rights, for example, that are currently under-represented in philanthropic giving.

- **Intervention 3: Impact Assessment, Transparency and Reporting Norms**
  Interventions should seek to develop consensus around best practices in impact assessment, transparency and reporting norms through promoting consultations between different sets of stakeholders in the Indian philanthropic sector – including donors, management of philanthropic foundations and experts in various sectors. Funding for discussion platforms, logistical support, information on global best practices and the "convening power" of established foundations – both international and domestic - and thought leaders in the Indian philanthropic space can play a major role in developing such norms as well as the sectoral platforms described above.

- **Intervention 4: Policy Research and Advocacy**
  Interventions should support research into the implications of the existing tax regime on shaping philanthropic funding and on consultations between policymakers and range of stakeholders including potential donors, tax experts and implementing organizations to improve the policy environment for effective philanthropic giving in India.

  The objective of reform efforts would be two-fold: to encourage philanthropic support to a wider range of areas through removing biases in existing policies; and to bring about greater transparency and public reporting under both the income tax act – on tax exemptions granted to philanthropic donations – and the societies act in different states – so as to bring more public scrutiny on philanthropic receipts by non-profit organizations. Interventions need to focus on the concept of philanthropic giving as in the public interest, especially when tax exemptions are given to such giving, and mandatory public reporting of such charitable donations and tax exemptions given by the concerned public authorities should be a key focus of policy reform efforts.

  There is also an opportunity to engage with the Ministry of Corporate Affairs and its 'subsidiary' organization, the Indian Institute of Corporate Affairs (IICA) to shape the implementation of the new companies act as relating to CSR, especially in terms of expanding the set of areas to which philanthropic giving under the act is directed.

2) **Building Accountability:** Another distinct approach is to use more activist approaches to bringing about greater transparency and accountability amongst HNIs and companies both on their quantum of philanthropic giving and the effectiveness of such giving. Such an approach would focus on collecting more information on philanthropic giving; putting such information in the public domain; and using rankings, indices, publicity campaigns and protests to bring greater pressure on HNIs and companies to move towards best practices in giving.

   Potential interventions under this approach include:

i. **Intervention 1: Indices and Rankings**
Through funding and support for collaborative partnerships with organizations with expertise in collecting and analyzing philanthropic information globally, interventions should seek to develop indices and rankings of both philanthropic giving and of recipient organizations. Such regular indices and rankings will help coalesce greater public and stakeholder attention to the amount of philanthropic giving and its effectiveness. Given the current lack of legal requirements to report both giving and receipts publicly, advocacy strategies may need to be used in many cases to collect such information.
Such indices and rankings should also seek to broaden the conversation around accountability of philanthropic giving not only in terms of amount of money given, but also in terms of adoption of best practice processes in such giving and its actual outcomes.

ii. **Intervention 2: Publicity campaigns and protests**
Corollary to developing best practice in impact assessment, transparency and accounting norms is to ensure widespread adoption of such norms in the long run. Along with capacity building efforts, drawing attention to those not following such norms through publicity campaigns and protests can also be an effective way to ensure adoption of such norms.

iii. **Intervention 3: Promote Corporate Responsibility in Core Operations**
Both interventions described above need to focus on promoting corporate sustainability and responsibility in core operations of the company and not just on CSR initiatives. The NVGs, already in the process of being implemented, posit CSR as only one small part of overall corporate responsibility. Indices and publicity campaigns need to measure progress of companies in improving corporate responsibility in its core operations, including on issues such as labor standards, environmental impact of operations and consultations with stakeholders.

More discussion, dialogue and publicity is needed to ensure that the emphasis on CSR in the new companies bill does not compromise the larger agenda of corporate responsibility across a range of core business operations, which has the potential for much wider impact. Partners in Change (PIC) has been advocating for the broader agenda of the NVGs as opposed to a narrower focus on CSR philanthropy. Standard and Poor's, CRISIL and KLD Research & Analytics launched the S&P ESG India Index in 2008, which highlights "50 of the best performing stocks in the Indian market as measured by environmental, social, and governance (ESG) factors.[1]" Interventions should first seek to support and partner with such existing initiatives.

3) **Managing Funds:** Another approach is to offer options to potential donors to manage their funds. Although this is a part of capacity building for the sector, it would require specific sets of skills and organizational structures to be able to provide services to donors such as those provided by community foundations.

Potential interventions under this approach include:

i. **Intervention 1: Aggregate Philanthropic Funds and Foundations**
Interventions should seek to assist donors to more effectively deploy their philanthropic giving through managing their philanthropic funds and interventions. Such assistance can span a number of different components based on the degree of outsourcing of the philanthropic activity. Interventions along the lines of the "Giving Circle" initiative by Dasra can enable smaller donors to informally pool funds to enable them to undertake larger strategic philanthropic interventions.

Formally registered 'Apex' foundations can manage operations for a range of family and corporate foundations, essentially allowing them to preserve their 'brand', but outsource operations, thereby saving on administrative costs and having access to a broader range of expertise. A good example of such outsourcing is the Silicon Valley Community Foundation, which manages the operations for a number of smaller family and corporate foundations in that region. Such an intervention can target family foundation and corporate CSR programs with budgets under 25 crores, such as those highlighted in Appendix 3.

A similar intervention can be a formal mechanism for pooling funds towards a particular sector. Similar to a mutual fund, such a mechanism would allow donors interested in a particular cause to formally route their philanthropic giving through an organization, special purpose vehicle or fund, that has developed a theory of change, assembled expert advisors and pools funds to be able to address the entire range of gaps in a particular sector, thereby enhancing their ability to bring about structural changes and have large-scale impact.

Extensive initial work needs to be done to understand legal and tax implications of setting up apex foundations and formal pooled funds and this is an area where initial funding can play a key role in catalyzing such initiatives.

Box 2: Community Foundations

Community Foundations are foundations that seek to serve as vehicles for pooling philanthropic giving, usually associated with a particular geographic region. Such foundations work with companies and individuals to set up their own private charitable funds, but then take responsibility for managing and investing such funds.

According to data compiled by the Foundation Center – an apex organization that collects data on philanthropic foundations - giving through community foundations in the Unites States was $4.2 billion in 2011. The top 25 community foundations had average assets of over $1 billion. The largest two community foundations– the Tulsa Community Foundation and the Silicon Valley Foundation – had assets of $3.8 billion and $2.9 billion respectively.

The Silicon Valley Community Foundation (SVCF) focuses on organizations and people making philanthropic donations in just two counties within Silicon Valley - San Mateo and Santa Clara. It has five focus areas for grant-making: "Economic Security, Education, Immigrant Integration, Regional Planning and a Community Opportunity Fund to address time-sensitive community needs including safety-net services." According to self-reported data, they manage 1,600 separate philanthropic funds for companies, families and individuals. Interestingly, SVCF also has an initiative to assist with philanthropic giving to India. In partnership with Guidestar India, it provides strategic, administrative and due diligence support to potential donors wishing to donate to causes in India.

Appendix 1: Interviews Conducted

- Ms. Rohini Nilakani, Philanthropist and Chairperson, Arghyam, Bengaluru
- Mr. Anurag Behar, co-Chief Executive, Azim Premji Foundation, Bengaluru.
- Mr. Jayant Sinha, Managing Director, Omidyar Network India Advisors, Mumbai
- Ms. Payal Shah, Business Development Manager, Acumen Fund, Mumbai
- Ms. Aarthi Laxman, Managing Partner, Social Venture Partners India, Bengaluru.
- Mr. Vikram Raman, Vice-President, Unitus Capital, Bengaluru.
- Ms. Neera Nundy, Partner and Co-Founder, Dasra, Mumbai.
- Ms. Priya Nayak, Founder and Joint Managing Director, Samhita, Mumbai.
- Ms. Laura Donovan, Chief Executive, Partners in Change
- Mr. Dhaval Udhani, CEO, Give India
- Dr. K. K. Upadhyay, Head, FICCI Aditya Birla CSR Centre for Excellence.
- Ms. Gitanjali Subramanium, Indian Institute of Company Affairs (IICA. Ministry of Corporate Affairs)
- Mr. Sanjay Aggarwal, Accountaid.
- Mr. Anil Goel, Former Head of Finance, Charities Aid Foundation.
- Mr. Sanjay Patra, Executive Director, FSME
- Mr. N. Sunil Kumar, CEO, RBS Foundation.
- Ms. Erin Walsh, Vice President, Goldman Sachs
- B. Karthik, Corporate Brand Management, Mahindra and Mahindra – Spark the Rise Campaign
- Deepa Kapoor, Vice President Corporate Responsibility, Genpact.
- Maneesha Chada, Head - Citibank Foundation India.

Appendix 2: Excerpts of New Companies Bill Relating to CSR

135. (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,—

(a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
(b) Recommend the amount of expenditure to be incurred on the activities referred to in clause and
(c) Monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall, (a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility 10 Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall make every endeavor to ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

SCHEDULE VII (See sections 135)

Activities which may be included by companies in their Corporate Social Responsibility Policies

Activities relating to:—

(i) eradicating extreme hunger and poverty;

(ii) promotion of education;

(iii) promoting gender equality and empowering women;

(iv) reducing child mortality and improving maternal health;

(v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;

(vi) ensuring environmental sustainability

(vii) employment enhancing vocational skills

(viii) social business projects;

(ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio- economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and

(x) such other matters as may be prescribed.

Item (a) of sub-clause (4) of clause 135 proposes to empower the Central Government to prescribe the manner of disclosure of contents of Corporate Social Responsibility Policy in the Board's Report and on the company's website.

Appendix 3 – CSR Target Commitments of Top 200 Companies by Market Valuation under New Companies Bill

	Name of company	Average Market Capitalization (Apr -Sep 2012)	Net Profit 2011/12 (in Cr.)	Rank	Net Profit 2010/11 (in Cr.)	Rank	Net Profit - 2009/10 (in Cr.)	CSR Commitment*
1	Tata Consultany Services	244,121.30	10,976	4	7,570	1	5,619	161.10
2	Reliance Industries	242,496.40	20,040	2	20,286	18	16,236	377.08
3	Oil and Natural Gas Corp	232,514.10	25,123	1	18,926	2	16,768	405.45
4	Coal India	218,033.60	8,065	7	4,696	7	3,860	110.81
5	ITC	195,241.50	6,163	12	4,988	11	4,062	101.42
6	Infosys	138,910.10	8,470	6	6,443	14	5,803	138.11
7	State Bank of India	138,451.30	11,707	3	8,265	5	9,166	194.25
8	HDFC Bank	131,922.50	5,167	15	3,926	6	2,949	80.28
9	NTPC	131,766.10	9,224	5	9,103	4	8,728	180.37
10	Bharti Airtel	112,054.00	5,730	13	7,717	13	9,426	152.49
11	ICICI Bank	103,418.10	6,465	11	5,151	23	4,025	104.27
12	Housing Development Finance Corpn.	102,853.40	4,127	21	3,532	22	2,842	70.01
13	Hindustan Unilever	99,483.00	2,691	33	2,306	10	2,202	47.99
14	Wipro	95,170.90	4,685	18	4,844	17	4,898	96.18
15	Larsen & Toubro	81,955.80	4,456	19	3,957	25	4,375	85.25
16	MNTC	74,721.50	122	294	216	12	216	3.69
17	NMDC	71,017.70	7,265	8	6,499	327	3,447	114.74
18	TATA Motors	69,177.60	1,244	59	1,812	8	2,240	35.31
19	Sun Pharmaceuticals Ltd.	64,353.80	1,384	53	899	186	899	21.21
20	Cairn India	63,063.10	44	413	-213	35	-69	
21	Indian Oil Corpn	62,618.20	3,953	22	7,444	991	10,219	144.11
22	Bharat Heavy Electricals	55,190.20	7,040	9	6,011	40	4,311	115.75
23	Power Grid Corp. of India	52,082.00	3,228	27	2,674	24	2,014	52.77
24	Hindustan Zinc	51,940.20	5,526	14	4,900	16	4,041	96.45
25	Bajaj Auto	46,591.70	3,004	29	3,340	15	1,700	53.63
26	GAIL (India)	44,398.80	3,654	23	3,561	43	3,140	69.03
27	Nestle India	44,020.20	962	79	819	9	655	16.24
28	Mahindra & Mahindra	43,878.40	2,879	30	2,662	51	2,088	50.86
29	Axis Bank	43,396.50	4,242	20	3,388	27	2,515	67.63
30	Kotak Mahindra	42,622.40	1,085	71	818	54	563	16.44
31	Ultra Tech Cement	42,606.10	2,446	35	1,404	30	1,093	32.95
32	Jindal Steel & Power	40,638.00	2,111	38	2,064	31	1,480	37.70
33	Tata Steel	40,355.50	6,523	10	6,861	28	5,047	122.87
34	Hero Moto Corp.	39,403.00	2,378	36	1,928	91	2,232	43.59
35	Steel Authority of India	37,003.40	3,543	24	4,905	57	6,754	101.35
36	HCL Technologies	35,543.50	1,950	41	1,198	42	997	27.63
37	Asian Paints	35,385.90	958	80	775	36	775	16.72
38	Maruti Suzuki India	34,805.80	1,635	47	2,289	19	2,498	42.81
39	Sterlite Industries (India)	34,312.60	1,657	46	1,420	38	824	26.01
40	DLF	34,076.40	1,042	75	1,270	20	765	20.51
41	Bank of Baroda	28,696.30	5,007	16	4,242	92	3,058	82.05
42	Oil India	28,461.60	3,447	25	2,888	71	2,611	59.64
43	Dr. Reddy Laboratries	28,372.00	912	82	893	29	846	17.67
44	Bosch	27,388.70	1,123	68	859	87	591	17.15
45	Reliance Power	27,148.60	311	164	275	37	273	5.73
46	Idea Cellular	26,877.70	577	114	845	76	1,054	16.51
47	Cipla	26,679.80	1,124	67	960	90	1,081	21.10
48	Punjab National Bank	26,538	4,892	17	4,434	94	3,905	88.21

	Name of company	Average Market Capitalization (Apr -Sep 2012)	Net Profit 2011/12 (in Cr.)	Rank	Net Profit 2010/11 (in Cr.)	Rank	Net Profit - 2009/10 (in Cr.)	CSR Commitment*
49	Ambuja Cements	26,146.10	1,230	61	1,264	83	1,218	24.75
50	Bharat Petroleum Corpn.	25,709.40	1,311	57	1,547	46	1,538	29.31
51	Lupin	24,937.70	804	89	810	93	649	15.09
52	Grasim Industries	24,654.90	1,177	64	1,182	62	814	21.15
53	Adani Enterprises	24,513.10	362	153	269	186	254	5.90
54	Adani Ports & Special Economic Zones	24,048.40	1,177	63	986			14.42
55	Siemens	24,022.90	845	87	827	90	1,045	18.11
56	Hindustan Copper	23,939.40	224	202	155	218	155	3.56
57	ACC	23,769.30	1,327	55	1,121	66	167	17.43
58	Tata Power Co.	23,308.60	1,160	65	894	83	939	19.95
59	NHPC	22,735.90	2,775	32	2,169	37	2,091	46.90
60	Power Finance Corpn.	22,553.10	3,032	28	2,620	32	2,357	53.39
61	Hindalco Industries	22,485.00	2,247	37	2,137	38	1,916	42.00
62	Oracle Financial Services Software	22,242.40	1,089	70	968	78	661	18.12
63	Ranbaxy Laboratries	21,412.60	-3,052	499	1,149	65	572	
64	Titan Industries	20,389.70	600	109	430	145	250	8.53
65	IDFC	19,955.60	1,603	49	1,277	56	1,013	25.95
66	Godrej Consumer Products	19,941.20	604	108	435	144	248	8.58
67	Dabur India	19,933.50	463	132	472	138	433	9.12
68	Rural Electrification Corpn.	19,182.80	2,817	31	2,570	33	2,327	51.43
69	Bank of India	18,270.10	2,678	34	2,489	34	1,741	46.05
70	Canara Bank	17,691.90	3,283	26	4,029	21	3,021	68.89
71	Glaxo Smith Kline Pharmaceuticals	17,624.30	431	141	564	122	512	10.05
72	Cadila Healthcare	16,387.50	658	100	610	112	503	11.81
73	ABB	16,301.60	185	225	63	503	355	4.02
74	Sesa Goa	15,993.40	680	45	3,433	26	2,118	41.54
75	Colgate Palmolive (India)	15,891.50	446	137	403	150	423	8.48
76	Jaiprakash Associates	15,375.90	1,026	76	1,168	64	1,712	26.04
77	IndusInd Bank	15,233.60	803	92	577	119	350	11.53
78	JSW Steel	15,228.80	1,626	48	2,011	41	2,023	37.73
79	National Aluminium Co.	14,543.30	850	86	1,069	69	814	18.22
80	United Breweries	14,360.20	147	265	97	384	62	2.04
81	Zee Entertainment Enterprises	13,969.10	490	128	576	120	559	10.83
82	Neyvelli Lignite Corpn.	13,618.50	1411	52	1,298	55	1246	26.37
83	Castrol India	13,404.30	482	130	491	135	381	9.03
84	Reliance Infrastructure	13,370.70	2000	40	1,081	67	1152	28.22
85	Reliance Communication	13,342.30	156	257	1,758	997	479	15.95
86	Divi's Laboratries	13,172.10	546	118	436	143	344	8.84
87	LIC Housing Finance	12,846.00	914	81	974	77	662	17.00
88	Shriram Transport Finance Co.	12,774.20	1258	58	1230	61	873	22.41
89	Cummins India	12,599.10	591	111	591	116	444	10.84
90	YES Bank	12,314.60	977	78	727	99	478	14.55
91	IDBI Bank	11,858.80	2,032	39	1,650	45	1,031	31.42
92	Container Corpn. Of India	11,789.50	878	85	876	86	787	16.94
93	Marico	11,709.60	337	159	315	168	235	5.91
94	Glaxo Smith Kline Consumer Healthcare	11,635.90	355	155	300	173	233	5.92
95	Sun TV Network	11,365.40	695	97	772	95	567	13.56
96	Exide Industries	11,259.50	461	133	666	104	537	11.09
97	Adani Power	10,990.80	-294	490	524	128	171	2.67
98	Petronet LNG	10,979.20	1,058	73	620	109	404	13.88
99	Union Bank of India	10,776.30	1777	43	2,077	39	2075	39.53

	Name of company	Average Market Capitalization (Apr -Sep 2012)	Net Profit 2011/12 (in Cr.)	Rank	Net Profit 2010/11 (in Cr.)	Rank	Net Profit - 2009/10 (in Cr.)	CSR Commitment*
100	Bajaj Finserv	10,703.10	77	355	190	233	29	1.97
101	Hindustan Petroleum Corpn.	10,581.90	911	83	1539	47	1301	25.01
102	Bharat Electronics	10,467.20	827	88	858	88	771	16.37
103	Shree Cement	10,388.20	619	107	210	223	676	10.03
104	Manglore Refinery & Petrochemicals	10,342.80	909	84	1,177	63	1112	21.32
105	Wockhardt	10,283.70	184	228	-132	984	-794	
106	United Spirits	10,220.60	343	157	385	152	376	7.36
107	Glenmark Pharmaceuticals	10,127.30	265	180	212	221	128	4.03
108	Mahindra Satyam	9,901.00	1203	62	-128	983	-71	6.69
109	Bhushan Steel	9,599.70	1011	77	1,005	73	846	19.08
110	Tech Mahindra	9,455.70	461	134	697	100	743	12.67
111	Aditya Birla Nuvo	9,303.70	345	156	380	154	283	6.72
112	Jaiprakash Power Ventures	9,255.10	165	246	252	264	252	4.46
113	GMR Infrastructure	9,053.90	120	300	59	526	13	1.28
114	Pidilite Infrastructure	8,936.70	335	160	304	171	293	6.21
115	Bajaj Holdings & Investment	8,726.70	567	115	1000	74	766	15.55
116	Apollo Hospital Enterprise	8,668.10	231	196	182	241	152	3.77
117	Torrent Power	8,462.10	1237	60	1066	70	837	20.93
118	Reliance Capital	8,423.40	519	123	230	213	339	7.25
119	JSW Energy	8,259.60	235	194	886	85	847	13.12
120	Piramal Enterprises	8,224.00	131	280	12,897	3	443	89.81
121	Godrej Industries	8,151.40	202	214	133	306	81	2.77
122	Tata Chemicals	8,130.20	587	112	408	148	435	9.53
123	Oberoi Realty	8,095.60	255	185	171	253	24	3.00
124	SJVN	8,049.80	1069	72	912	80	973	19.69
125	Mphasi$	8,017.60	782	93	997	75	837	17.44
126	Indian Bank	7,953.60	1747	44	1714	44	1555	33.44
127	Engineers India	7,807.40	636	103	523	129	436	10.63
128	Jubliant Foodworks	7,768.40	106	322	72	462	33	1.41
129	Crompton Greaves	7,734.20	505	125	694	103	617	12.11
130	Gillette India	7,671.20	86	339	137	436	137	2.40
131	L&T Finance Holdings	7,594.20	0	463	3	923	3	0.04
132	Coromandel International	7,539.50	693	98	694	102	468	12.37
133	Tata Global Beverages	7,402.00	304	171	183	239	393	5.87
134	P&G Hygiene & Healthcare	7,294.20	151	264	180	242	179	3.40
135	Mahindra & Mahindra Financial Services	7,271.70	621	105	463	139	343	9.51
136	Emani	7,257.90	155	258	125	319	63	2.29
137	Allahabad Bank	7,246.20	1867	42	1423	50	1206	29.97
138	Federal Bank	7,225.30	777	94	587	118	465	12.19
139	Essar Oil	7,195.60	654	101	29	106	29	4.75
140	Bharat Forge	7,085.20	362	152	311	169	127	5.33
141	Crisil	7,054.00	187	223	196	230	150	3.55
142	Havell's India	7,040.00	305	169	242	206	228	5.17
143	Oriental Bank of Commerce	7,029.60	1142	66	1503	48	1135	25.20
144	Dish TV India	6,956.90	-159	488	-190	989	-262	
145	Motherson Sumi System	6,893.60	317	162	288	179	178	5.22
146	Jaypee Infratech	6,780.30	1435	51	487	49	487	16.06
147	India Bulls Financial Services	6,779.50	724	96	609	113	262	10.63
148	Ahok Leyland	6,693.80	566	116	631	108	424	10.81
149	Tata Communications	6,583.30	171	243	163	269	483	5.45
150	Indian Overseas Bank	6,429.10	1050	74	1073	68	707	18.87
151	Britannia Industries	6,177.80	187	222	145	286	117	2.99

	Name of company	Average Market Capitalization (Apr -Sep 2012)	Net Profit 2011/12 (in Cr.)	Rank	Net Profit 2010/11 (in Cr.)	Rank	Net Profit - 2009/10 (in Cr.)	CSR Commitment*
152	Andhara Bank	6,077.50	1345	54	1267	58	1046	24.39
153	Corporation Bank	6,003.50	1506	50	1413	52	1170	27.26
154	Syndicate Bank	5,986.20	1313	56	1048	72	813	21.16
155	Unitech	5,960.60	327	161	510	131	525	9.08
156	Gujrat Mineral Devp. Corpn.	5,876.10	487	129	375	155	280	7.61
157	Central Bank Of India	5,799.00	533	120	1252	60	1058	18.95
158	Eicher Motors	5,711.60	125	285	75	447	67	1.78
159	Multi Commodity Exchange of India	5,653.10	286	173	173			3.06
160	Thermax	5,651.50	407	144	382	153	141	6.20
161	Bata India	5,623.10	226	201	95	385	67	2.59
162	United Phosphorous	5,520.80	227	198	158	272	181	3.77
163	Torrent Pharmaceuticals	5,504.10	311	163	291	177	207	5.39
164	ING Vysya Bank	5,493.60	455	135	319	166	242	6.77
165	Videocon Industries	5,412.60	540	119	739	97	474	11.69
166	Pipavav Defense & Offshore Engg. Co.	5,319.40	19	443	40	654	-51	0.05
167	Religare Enterprises	5,035.60	-816	495	5	874	56	
168	Sanofi India	5,030.70	191	218	231			2.81
169	Max India	5,007.90	-15	471	-42	962	-1	
170	Muthoot Finance	4,913.80	494	127	228	134	228	6.33
171	Kansai Nerolac Paints	4,894.70	216	206	206	224	166	3.92
172	UCO Bank	4,862.00	1109	69	907	81	1012	20.19
173	Biocon	4,804.20	256	184	459	141	248	6.42
174	Ipca Laboratries	4,758.50	280	177	255	199	209	4.96
175	Indian Hotels Co.	4,723.10	145	267	141	293	153	2.93
176	Astra Zeneca Pharma India	4,669.70	20	441	64	499	58	0.95
177	Blue Dart Express	4,648.60	122	291	94	387	61	1.85
178	Berger Paints India	4,624.70	177	236	148	281	120	2.97
179	EIH	4,567.50	122	289	65	497	57	1.63
180	IRB Infrastructure Developers	4,491.50	166	245	90	399	56	2.08
181	Jammu & Kashmir Bank	4,447.30	803	90	615	110	512	12.87
182	MRF	4,437.50	619	106	354	159	253	8.17
183	MOIL	4,429.50	411	143	588	117	466	9.77
184	Gujrat Fluorochemicals	4,421.40	432	139	264	194	334	6.87
185	3M India	4,388.10	65	372	99	379	93	1.71
186	Strides Acrolab	4,356.50	118	305	74	458	106	1.99
187	Karur Vysya Bank	4,353.20	519	122	416	146	336	8.47
188	Godrej Properties	4,340.90	81	346	106	363	122	2.06
189	Apollo Typres	4,328.80	181	232	198	229	415	5.29
190	Alstom T&D India	4,258.50	162	248	187	236	192	3.61
191	Fortis Health Care	4,052.00	201	215	142	292	30	2.49
192	Sundaram Finance	3,986.90	355	154	295	175	227	5.85
193	Gujrat Gas Co.	3,978.60	274	178	259	197	175	4.72
194	Gujrat State Petronet	3,955.80	522	121	506	132	414	9.61
195	Bajaj Finance	3,950.50	406	145	247	201	89	4.95
196	Akzo Nobel India	3,882.30	202	213	177	246	159	3.59
197	Rajesh Exports	3,875.60	412	142	248	200	193	5.69
198	Info Edge (India)	3,865.70	123	288	84	424	57	1.76
199	Great Eastern Shipping Co.	3,833.00	143	270	266	191	396	5.37
200	Essar Ports	3,825.80	-71	480	21	401	108	0.39

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