Business Standard

The art of giving

Duties of givers and receivers of funds

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There has been a long tradition in India of large business groups endowing academic and research institutions, but in recent years a new trend seems to be emerging. A few days ago, Nandan and Rohini Nilekani contributed Rs 50 crore to the National Council of Applied Economic Research (NCAER), a sizeable amount by any standards, the interest from which would cover almost 20 per cent of the 57-year-old institution's current annual expenditure. The Nilekanis had contributed a similar amount to the newly established Indian Institute for Human Settlements (IIHS) a couple of years ago, even more significant for a start-up looking to quickly attain critical mass. Last year, the Brookings Institution set up its India centre, financed by several contributions from prominent businesspersons. The key difference between the traditional and new trends is that the endowed institutions do not bear the name of the contributor(s) and, on the face of it, maintain a distance and autonomy from the people that fund them.

But the question is whether distance and autonomy are achieved in practice. Think tanks such as NCAER and the Brookings Institution essentially add value to their core activities by virtue of their independence, both real and perceived. Their responsibility is to analyse policy issues objectively and rigorously and proffer solutions that are evidence-based and consistent with a larger public interest. When private sector funding begins to play a larger and larger role in these institutions, questions can arise about their ability to preserve and protect this independence. Businesses unquestionably have interests in policy decisions that are not always aligned to the public interest, and policy research that is directly or indirectly funded by them is potentially under pressure to draw conclusions favourable to these interests. The fundamental issue, then, is whether tapping into a new pool of resources is actually serving to dilute their value addition. If this has to be preserved, these new sources of funding must be matched by robust mechanisms of governance, which screen all the research activities and output for potential conflicts of interest. Meanwhile, businesspersons who venture into this space also need to develop a consciousness about the value that these institutions add when they are genuinely independent.

From the institutional viewpoint, such contributions, if appropriately governed, represent a valuable opportunity to ramp up the quality and impact of their research activities. These funding channels bring with them greater scrutiny of how the money is being used. This implies much more emphasis on explicit articulation of targets, agendas, work plans and financial control mechanisms - in short, bringing the discipline and accountability of a well-managed organisation to bear on research and dissemination activities. In an environment in which many think tanks are viewed by cynics to be bottomless pits for unquestioning public funding, greater dependence on private funding could be a source of redemption as long as the right internal mechanisms and control systems are put into place. This is clearly a huge challenge, which many institutions will eventually fail to meet. But this should not deter them from trying; the few that emerge will be the stronger and more effective for it. All in all, this is a welcome development, but one that imposes huge responsibilities on both the giver and the receiver.