

# The Changing Ways to Give

It is no surprise that wealthy and well-connected people, in particular business men and women, may decide that establishing their own charity is the most effective way for them to deliver the highest impact. Usually they have considered their options and decided that, rather than give to inefficient organisations, their money could be put to better use remaining in their own control and benefitting from the skills and acumen that enabled them to build their fortunes in the first place.

Many giving mechanisms have existed for decades, such as volunteering, workplace giving, giving circles and the pooling of funds in local communities. However, the last decade or so has seen a blossoming of new ways to give and a rise in any number of philanthropy advisors who can help the undecided make up their minds as to how and where to put their money. Not only this but we have also seen the rise of global targets and frameworks, such as the Sustainable Development Goals which, although not a philanthropic giving vehicle in the strict sense, have provided a sign post for many to focus their interest.

The logistical ways in which we can give have become increasingly creative; at one end we see the growth of Impact Investing and Donor Advised Funds (DAFs) and at the other crowd-funding. Looking ahead, as the demands for transparency grow, and there is increased fear of corruption, either real or perceived, expect more criticism and even regulation around how money is raised and the way it is distributed.

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## The United Nation's Sustainable Development Goals (UNSDG's)

In order to find an appropriate focus, many experienced donors begin their analysis of issues at a high level, with very big subject areas or abstract problems:

### UN Sustainable Development Goals Source



Source: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

poverty, disease education and climate change, for example. The United Nation's (UN's) original eight Millennium Development Goals, with their specific targets, have helped focus efforts as they provide valuable alignment for action. Indeed, some suggest that providing a crystallised point for philanthropic and government funding priorities has been one of their most successful roles. Certainly many agree that the focus they provided in the provision of health care, for example, has meant that international development assistance in this area more than trebled after the year 2000, with the creation of new multilateral agencies and bilateral funding commitments towards maternal and child health and infectious diseases.

Launched in 2015, the UN's updated 17 Sustainable Development Goals (SDGs) cover a huge range of challenges including ending poverty, transforming health and education, improving our cities and communities, addressing gender equality, and tackling climate change. Collectively, they propose a new development pathway, based on partnership between governments, civil society and business that, if successful, could transform our societies.

## Impact Investing

Harnessing capitalism and capital markets to promote change is in vogue and growing rapidly. Impact investing - investing in assets that offer measurable social or environmental benefits as well as financial returns - is becoming an increasingly popular way of being both philanthropic and profitable. So much so in fact that several establishment names including Goldman Sachs, UBS, BlackRock and TPG, with its \$2Bn Rise Fund, have all recently launched impact funds. The sector has been boosted by increased attention from policy makers and the development of industry standards. Foundations too are following suit. The Ford Foundation has put aside \$1Bn for mission or impact investing. As Darren Walker, the Foundation's CEO puts it, "it's not just 5 per cent of your money you give away that matters. What you do with the other 95 per cent is almost more important."

Impact Investing has also been endorsed by international organisations such as the UN. A UBS white paper, launched at Davos in 2017, argued that supporting affordable and clean energy and climate action are the two Sustainable Development Goals that can benefit most from private investment. At a time when low interest rates around the world have made financial returns harder to find, 75 percent of respondents said that the performance of their impact investments had met or exceeded their expectations. A 2017 Financial Times "Investing for Global Impact" report, which surveyed 246 family offices and foundations about philanthropy and impact investing, found almost a fifth said they were targeting a gain of more than 15 per cent over the next 12 months and more than a tenth were aiming for between 11 and 15 per cent.

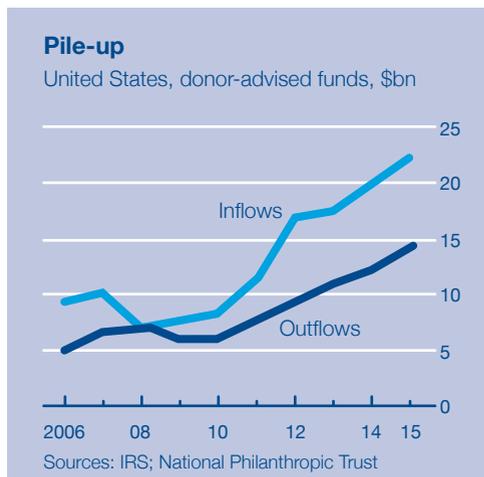
Looking ahead the use of Environmental Social and Governance (ESG) is expected to grow. As better data becomes available for impact investing, its use by larger foundations may enable the establishment of standards and processes that assist smaller foundations in being able to engage in this practice while performing the measurement and analysis that will increasingly be expected by both donors and regulators.

However, during our workshops there was concern that the increase in the number of the development goals, from eight to 17, and of the specific targets, from 18 to 169, risks reducing the strength of focus for future effective collaboration and action. There was also concern that the identified investment gap of \$3tn annually was not being filled by the private sector. Fewer than half of the world's global companies plan to engage with the goals, according to Ethical Corporation's "State of Responsible Business 2016" report.

Most workshop participants believed that the SDGs need to better align private sector incentives with sustainable development objectives through strengthened policies and sound institutional, legal and regulatory frameworks if there was to be any hope of ensuring their achievement. On the other hand, the SDGs were also criticised for their success, with some workshop attendees suggesting that such is their profile within the media and clout within the political environment that other issues are falling through the cracks.

## Donor Advised Funds

A controversial, but increasingly popular, way of giving is through donor-advised funds (DAFs). These allow philanthropists to make a contribution to a fund and receive the tax deduction immediately. The funds do not have to be disbursed to charities until later. Certainly DAFs are becoming hugely popular in the USA, increasing from about 180,000 in 2010 to over 270,000 in 2015, with assets doubling in value in that time to roughly \$80bn. Unlike foundations, they do not have to make annual donations, which means some fear that they are increasingly being used as a way of avoiding tax. Some in our workshops also pointed out that it was not clear whether DAFs actually increase the amount of money that reaches the needy and suggested that the tax breaks associated with them mainly benefit the rich. DAFs certainly lack transparency. Recent research by The Economist found that although many payments went to worthy causes such as Médecins Sans Frontières and the Red Cross, the biggest recipient of DAFs' gifts is Fidelity Charitable, a non-profit linked to the mutual-fund group. Another worry, particularly in the US, is the use of DAFs to circumvent the "public-support test". This stipulates that a charity typically must receive the lion's share of its revenue from the general public. A creative donor could donate to a charity through numerous DAFs, giving the false impression of widespread public support. Last year, the IRS announced an investigation into this.



## Venture Philanthropy

For wealthy millennials, particularly those with business backgrounds who aim for the same efficiency in their giving as in their work, "impact driven philanthropy" and "venture philanthropy, modelled on venture capitalism, have gained rapidly in appeal. Both offer ways to invest in charities that are data driven and demand more accountability as to the effectiveness of the donation. Both are testing new approaches to solving old problems. Some big donors, including the Gates Foundation and USAID, the American government's international aid agency, run competitions for innovative approaches, which are extended if they prove to be effective and efficient. They look for rigorous evaluation and expect results. But demanding proof of impact is not necessarily always the right approach. For example, as with business, it may push charities to focus on easy-win short-term outcomes, rather than more meaningful long-term measures of success.

Furthermore, risky projects, such as working with persistent offenders or on funding medical research initiatives might suffer.

## Family Foundations

If you are wealthy the most popular way to give is still to set up a foundation which can exist in perpetuity, investing their endowments and giving out a percentage of the returns each year. However changing attitudes to giving are shaping when and how money is donated. Younger donors, particularly high net worth individuals, are noticeably keen to make a difference in their lifetime rather than waiting to the end of their career. Many have adopted new models of giving for example by engaging in public-private partnerships and impact investing, the leveraging of private capital for public good. Some also spoke of the potential emergence of outsourced 'virtual foundations', replacing the need and cost of individuals choosing to create their own.

## Crowdfunding

Crowdfunding is the new kid on the block in terms of raising funds and yet it has had huge impact - not only by enabling deeper and more sustained engagement with individuals but also by engaging with wider movements of people seeking to create or contribute to positive change and to do so transparently. Used as a tool of both direct giving and raising donations for charities, crowdfunding allows pretty much anyone with a laptop and a bit of connectivity to quickly start and share a campaign for any imaginable social issue, funnelling the proceeds directly to the recipient.

In the commercial world, we are familiar with how crowdfunding platforms have already shifted how entrepreneurs and new ventures raise capital and secure support from future customers for their endeavours, with platforms such as Kickstarter that has raised more than \$3Bn for 130,000 projects, and equity crowdfunder Seedrs. The same has also been true in the fundraising world, with social fundraising platforms such as JustGiving (raised more than \$4.5Bn) and GoFundMe (raised more than \$3Bn from 25 million donors). The strength of these platforms is not only in their ability to make it easy to contribute but also in using individual and social data to help connect individuals to the people and causes they care most about. An example of this is the level of integration between the JustGiving and Facebook platforms<sup>xxvi</sup>

Crowdfunding works particularly well in ‘response causes’, with powerful stories including news events, local appeals and disaster relief requests. Activist organisations can also benefit from mobilising new money quickly and bypassing slow-moving or conservative foundations. While luck and the media determine who benefits from a campaign gone viral, an emotional appeal tends to be the key ingredient of success.

The wider impact of this new way of fundraising is both a shift in who the funders are, how that work gets done and by whom. The crowd is not only being leveraged for the giving of money, it is also being used to access individuals’ time and talent. One example of such crowdsourcing for philanthropy is Cancer Research UK’s “Citizen Science” programme<sup>xxvii</sup> which has accessed and enabled over 500,000 people from 182 countries to join forces and accelerate research into the prevention and cure of cancer.

Perhaps as importantly is the enhanced ability of people to take ownership and create impactful change themselves.<sup>xxviii</sup> There is no need to wait for governments or large international NGOs. Individuals and small groups are now more easily able to organise amongst themselves and raise funds, as epitomised by the long-standing Harambee movement in Kenya.<sup>xxix</sup> For many this is liberating, and yet this sort of informal, reactive and emotional approach does not sit comfortably with strategic giving. Some critics point to “slacktivism” arguing the overall impact has been small - most contributors don’t give regularly and donations are generally below \$50. Looking ahead many agree that there is much still to learn and that is an opportunity for crowd-based philanthropy mechanisms to be more strategic and to achieve this crowd funding platforms must become more specific.

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## Going Direct

Many in our workshops also saw the logistics of giving changing as philanthropy becomes focused on individuals directly rather than being channeled through charities. As is evident in many other walks of life, from accommodation (e.g. Airbnb) to transport (e.g. Uber), the drive to cut out the middleman and increase efficiency offers potential in philanthropy too. While direct philanthropy has always existed (think of simply giving to the needy on the street), the shift enabled by digital technology makes it easier, faster and, critically, independent of geography.

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Alongside coins, and cheques in the mail, credit cards, payroll giving, points, Apple Pay and, even bitcoins are widely available. Mobile money has been transformative in this regard. As long ago as 2011, 'Kenya for Kenyans' raised £6m from 250,000 individuals to provide famine relief to over 3 million Kenyans. Backed by leading telecoms company, Safaricom, a rapid awareness campaign coupled with the MPesa mobile payments platform quickly brought in contributions. A similar appeal has been made to combat Ebola in West Africa and the Garissa attacks in Kenya also saw widespread use of mobile in fundraising for victims.

Direct donations are particularly effective when used to tackle poverty and financial exclusion at source. GiveDirectly has given more than \$100m in unconditional direct cash transfers to the poor with 91% of all monies reaching the end user.<sup>xxx</sup> Kiva, which uses repayment finance has lent over \$1Bn to 2.5m borrowers in 83 countries with a 97% repayment rate.<sup>xxxi</sup> This level of micro-finance delivered with mobile payments technology enables donations to reach extremely poor families in the most capital efficient way currently possible.

Studies have also found that giving directly can be more effective than indirect approaches. Direct philanthropy appears to lend itself to tighter evaluation and feedback loops, which drive increased efficiency and impact over time. For example, a Princeton-led randomised control study showed that GiveDirectly's approach in Kenya increased earnings by \$270, increased household assets by \$430 and nutrition spend by \$330, with zero increase in tobacco and alcohol use.<sup>xxxii</sup> So successful has this approach been that in late 2017 GiveDirectly launched a \$30m Universal Basic Income initiative to give basic incomes to thousands of recipients in Kenya. Moreover, the direct approach can also facilitate storytelling between recipients and donors (e.g. [www.live.givedirectly.org/](http://www.live.givedirectly.org/) [www.kiva.org/about/impact/success-stories](http://www.kiva.org/about/impact/success-stories)).

**The impact of personal giving:** Increased transparency, new technologies and the ability to make small donations conveniently and securely have dramatically changed the way individuals give and their ability to understand the impact of their donation. From technical solutions such as Just Giving, GoFundMe and Global Giving to direct impact donations through Kiva and GiveDirectly, as well as increased corporate support through workplace giving initiatives and matched donations, the public have multiple ways of becoming aware of, involved in and making a contribution to issues they care about.

The efficiency of Direct Philanthropy is alluring and clearly has the potential to challenge existing giving models. For example, the Brookings Institute calculates that it would cost \$70Bn per annum to get everyone in the world above the poverty line and yet we currently spend \$135Bn each year on global aid. While this analysis is of course overly simplistic, many would argue that at the very least it provides a benchmark for efficiency. Interestingly, leading global NGOs such as Oxfam are now experimenting with more direct approaches such as loading cash directly onto a card to buy essential provisions like rice, eggs, oil and wheat for the most vulnerable in Iraq<sup>xxxiii</sup>.