

PHILANTHROPY

Future Trend Report

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FUTURE TREND: PHILANTHROPY

Over the next two decades, environmental, technological, and demographic trends will dramatically change how we live our lives. A vibrant civic space is essential to ensure everyone can fully participate in shaping this future. ICNL launched “Civic Space 2040” — a futurist initiative to craft a positive vision for civic space and map strategies to make it a reality. The initiative explores trends that will radically transform the future and discusses ways in which these trends will affect civic space. This briefing is one in a series commissioned by ICNL to help inform civic space advocates about the opportunities and challenges ahead.

Philanthropic giving by foundations and individuals is set to remain an important source of funding for independent civil society in the next two decades. This briefing explores key trends in philanthropy and their possible impact on civic space.

THE DEMOGRAPHICS OF GIVING

One of the most significant changes in the future of philanthropy¹ will be demographics, especially around geography, gender, and age.

GEOGRAPHY

In 2017 global philanthropy reached a record high of \$64 billion, of which \$44 billion came from US donors.² In the next two decades, there is expected to be a dramatic rise in philanthropists from emerging markets across the world. Africa already has around 165,000 high net worth individuals collectively worth over \$660 billion. By 2021, Asian billionaires will outnumber their American counterparts and are expected to overtake them in financial clout; in India alone, there has been a six-fold increase in philanthropic giving from private individuals — faster than the growth in funds from foreign sources and funds contributed through corporate social responsibility.

China's example illustrates the effect of political context on this trend. Research from the China Philanthropy Research Institute estimated that in 2015, 80% of donations from the top 100 philanthropists from mainland China went to overseas charities — partly due to restrictions on giving domestically. Following changes in 2016 to the Chinese philanthropic legal framework, it is unclear what percentage of resources will be redirected to domestic causes in alignment with government priorities or will be used as a form of soft power to advance China's strategic goals globally.

While philanthropists in the US and Europe that fund policy and advocacy are being subjected to growing criticism and in some cases vilification abroad, philanthropists in

¹ For the purposes of this paper, philanthropy refers to private initiatives for public good that are funded by an institution or individual.

² Hudson Institute, The Index of Global Philanthropy and Remittances, 2017

India and China are comparatively less scrutinized. However, foundations in both countries have global ambitions, and there might be shifts in public perceptions as cross-border giving increases. Anecdotal evidence suggests that many of these new foundations are adopting a US-style focus on effectiveness; such an approach may eventually bring them into conflict with their governments as they seek to move away from purely re-sourcing service delivery to, for example, influencing policy.³

The Hudson Institute⁴ has also documented significant amounts of private philanthropy from non-Development Assistance Committee (DAC)⁵ member countries to developing countries. Institutional and individual philanthropists in Brazil gave \$34 million to developing countries in 2014. In India, the figure was \$249 million, in Indonesia \$129 million, and in Turkey \$267 million. Taken together, in places where giving has traditionally been more local, these findings suggest that private givers of all kinds are beginning to have wider horizons.

Finally, the burgeoning middle class in the global south has the potential to be a major new driver of philanthropy. Research by the Charities Aid Foundation shows that if this emerging group gave at the same levels as their counterparts in the UK, it would result in \$345 billion in donations per year. However, 2019 reports from the Charities Aid Foundation and Stanford Digital Society Lab, respectively, indicate an overall decline in giving globally and within the US. One explanation is that people are responding to political volatility and polarization by shifting their time and giving to political activities rather than philanthropic activities.

GENDER

While wealth is still predominantly controlled by men,⁶ the number of high net worth philanthropists who are women is increasing. According to The Economist, between 2010 and 2015, private wealth held by women increased by 50% in merely



In the next two decades, there will likely be a dramatic rise in philanthropists from emerging markets.

³ From interview with tech philanthropy advisor.

⁴ Adelman, Carol, Bryan Schwartz and Elias Riskin. Index of Global Philanthropy and Remittances. The Center for Global Prosperity (CGP) at the Hudson Institute, 2016

⁵ The Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) is a forum to discuss issues surrounding aid, development and poverty reduction in developing countries. The DAC currently has 30 members.

⁶ In Forbes' 2018 list of billionaires, there were 256 female billionaires out of total 2208 entries.

five years and anecdotal evidence indicates they are more likely to give than men. Trends to look out for will be an increase in collaborative giving,⁷ increased giving to issues affecting women and girls,⁸ and a preference for social impact investment rather than grants.

Furthermore, threats to sexual and reproductive rights from governments, and greater awareness of violence and harassment of women through the emergence of the now global #Me-Too and Time's Up movements, have led to increased funding from women across the board. Although individual giving has largely been mobilized in the US⁹ funding to compensate for US cuts to sexual and reproductive rights programming, globally it has been led by European governments and private human rights foundations.

GENERATIONAL

Millennials are rapidly emerging as a force in philanthropy, inheriting wealth but also holding different beliefs and assumptions from their predecessors about how to optimize impact.¹⁰ It is projected that in the coming decade, 14,000 ultra-high net worth individuals from across the globe are expected to pass on \$3.9 trillion to the next generation, with a further \$26 trillion passed on within the subsequent 20 years.

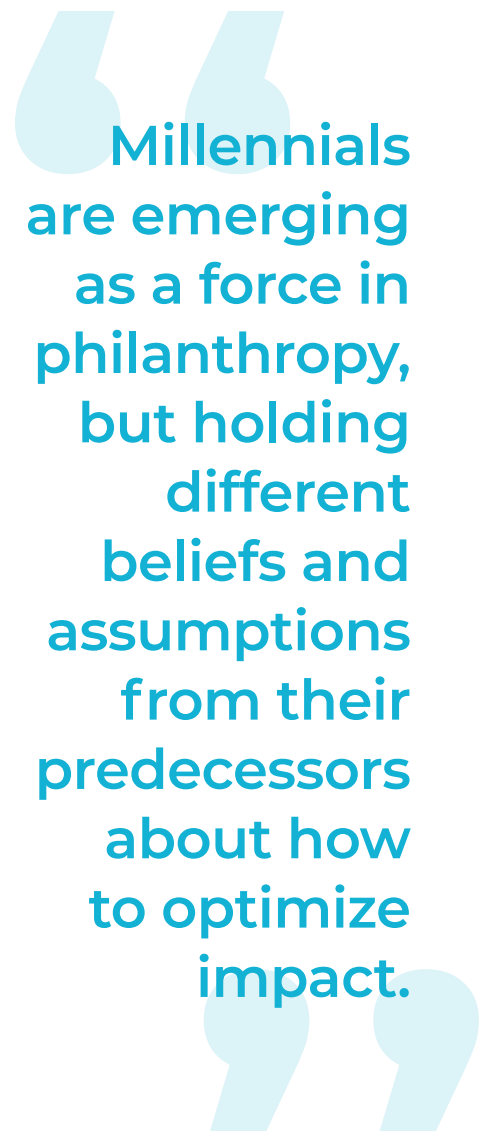
According to Future Agenda's 2018 Future of Philanthropy report the next generation is more likely to expect transparency, storytelling, and the use of technology from the organizations they support. It is also the most likely cohort to support social market-based models and impact investment to tackle issues.

⁷ Collaborative giving is when a group of donors work together and pool their resources, rather than give individually. The Women's Collective Giving Network now has 47 giving circles, with more than 10,000 women philanthropists in the mix. Women Moving Millions, a global community of mainly women donors, has more than doubled in size since launching, from 102 members in 2007 to 250 in 14 countries in 2017.

⁸ For example, in 2017 the Gates Foundation committed \$20 million to strengthen women's groups.

⁹ For example, TIME'S UP Legal Defense Fund was set up by a group of female philanthropists to address sexual assault, harassment and inequality in the workplace faced by women, and has raised \$22 million online since January 2018. According to media reports, donations to abortion rights and reproductive justice groups have surged following restrictions on access to abortion in Alabama and Georgia this year.

¹⁰ See: Murray, Sarah. Rich millennials push to put family wealth into impact investments, Financial Times, 17 October 2019.



Millennials are emerging as a force in philanthropy, but holding different beliefs and assumptions from their predecessors about how to optimize impact.

Millennials' top issues are likely to be education, health care, and the environment, while institutional giving to established NGOs or faith-based organizations will be less popular.¹¹

INFLUENCE OF THE CORPORATE SECTOR

Applying entrepreneurial tools to solve social problems is likely to become a major influence on philanthropy over the next decade. Critics of the new generation of corporate philanthropists have queried whether market-driven “win-win” solutions, that do social good as well as provide a return on investment, sufficiently address the underlying causes of inequality or even reinforce them.¹² There are also concerns that entrepreneurial approaches to solving social problems, including the focus on data-driven impact, are becoming the orthodoxy against which all other strategies are measured — as opposed to being seen as one approach among many.¹³

While the next generation of high net worth philanthropists will not all emanate from the tech sector, the scale of wealth produced by the sector is significant. The concentration of wealth in the hands of a small group of individuals means tech founders such as Mark Zuckerberg and Elon Musk will — like Bill and Melinda Gates— have the power to redefine philanthropy and shape civil society and public policy with few mechanisms for accountability.

These concerns have resurrected long-standing critiques about the role of philanthropy vis a vis democracy, at times raising charges of plutocratic bias.¹⁴ The decision of Zuckerberg and other high-profile philanthropists¹⁵ to undertake their giving through vehicles such as limited liability companies and donor-advised funds to engage in political activity compounds these concerns.

TECHNOLOGY SECTOR

Since the launch of the Giving Pledge in 2010 by Warren Buffet and Bill Gates, more than 150 business leaders, including Tim Cook, Larry Ellison, Mark Zuckerberg and Elon Musk, have pledged to give away most of their profits. The total net worth of the list is \$731 billion, of which \$365 billion has been pledged, roughly the GDP of Nigeria or Israel. The list is evidence of the staggering wealth created by the digital revolution and the impulse to apply much of that wealth to good causes. The scale of wealth is likely to enable tech philanthropists to shape philanthropy in a way that aligns more close-

¹¹ The Future of Philanthropy: Insights from multiple discussions around the world. Future Agenda. 5 April 2018

¹² See: *Winners Take All*, Anand Giridhiradas, 2018. While Giridhiradas's arguments are not new, his book has sparked unprecedented levels of debate within the public and philanthropic circles about corporate approaches to philanthropy.

¹³ Interview with global philanthropy expert based in the UK, 2019

¹⁴ See: Rob Reich's *Just Giving* (2018) and Lucy Bernholz's *Philanthropy and Digital Civil Society: Blueprint 2019*.

¹⁵ Other examples include John and Laura Arnold and Pierre Omidyar.

ly with their view of themselves: hugely ambitious, disruptive, innovative, and impact-driven.

This is a paradigm shift and is encapsulated in the difference between the values and priorities of the older generation of Euro-Atlantic billionaires, such as Soros, Buffet, and Feeney, and the emerging generation of philanthropists. While the former share a commitment to promoting democracy, human rights, and civil society shaped by their formative experiences during the World War and Cold War eras, the next generation of philanthropists — led by Zuckerberg and Musk — are more likely to adopt approaches which reflect a belief that how they made their money contains the seeds of solutions to social problems.

Hence the link between private equity and venture philanthropy, the enthusiasm of tech billionaires for philanthropic approaches such as Effective Altruism¹⁶ (a philosophy and social movement that uses evidence and reasoning to determine the most effective ways to benefit others) and the preference of crypto-donors for libertarian or technological approaches to solving social problems.¹⁷

Implications of this trend include: (1) Most of the vast philanthropic resources generated by the tech sector might be directed to issues identified by the Effective Altruism movement, including climate change, poverty alleviation, animal welfare, and existential risks created by biotechnology and AI; (2) Increased funding for civil society organizations with business traits, such as social enterprise, innovation, tech solutions to address social problems; (3) The growth of risk-averse corporate giving, and (4) Growth in the number of mega-foundations¹⁸ that operate more like states than foundations.

When looked at holistically, these trends indicate that while much greater flows of private funding will be available to tack-



The scale of wealth could enable tech philanthropists to shape philanthropy to their view of themselves: hugely ambitious, disruptive, innovative, and impact-driven.

¹⁶ <https://www.effectivealtruism.org/articles/introduction-to-effective-altruism/> offers an introduction to Effective Altruism and resources. The approach has been the subject of criticism for being elitists - for example - https://ssir.org/articles/entry/the_elitist_philanthropy_of_so_called_effective_altruism

¹⁷ Davis, Rhodri. From Hodl to Giev? The opportunities and challenges of Cryptophilanthropy. 2018

¹⁸ The Global Landscape of Philanthropy, WINGS, January 2018 noted that currently four foundations have assets of \$20 billion or more: Gates, Ikea, Caixa, and Wellcome. Philanthropic experts predict the number of mega foundations may double.

le global challenges, little of this is likely to be directed to traditional organizations and civil society groups that engage in policy, advocacy, or rights-based approaches to development or whose goals, such as strengthening values, shifting norms, are difficult to measure.

CLIMATE AND INVESTMENT

Climate change is one of the global challenges where business approaches in the form of socially, and environmentally responsible investment and impact investing could help direct much-needed funding away from the fossil fuels industry and into renewable energy.

Socially Responsible Investment

There is continuing debate about whether it is better to divest in environmentally harmful industries or to try to influence those companies through shareholder engagement. However, the number of foundations choosing to disinvest in fossil fuels has contributed to the fastest growing divestment movement in history. By December 2018, a total of 1,000 institutions and over 58,000 individuals representing \$8 trillion in assets worldwide had divested from fossil fuels.¹⁹

According to Divest Invest Philanthropy, 155 foundations, family offices, and charities, including the Gates Foundation and Wellcome, have already signed the Divest Invest Philanthropy pledge to divest from fossil fuels and reinvest in climate solutions and renewable energy. As an increasing number of pension funds, banks, and institutions move in this direction, this trend is likely to be significant.

Impact Investing

This growing practice focuses on harnessing capital rather than grantmaking to produce social and environmental benefits, as well as financial returns. There have been several high-profile investments announced by philanthropic foundations and the private sector, and there is evidence that impact investment can deliver lucrative returns.²⁰

¹⁹ <https://gofossilfree.org/major-milestone-1000-divestment-commitments/>

²⁰ Abhilash Mudaliar, Rachel Bass. GIIN Perspectives: Evidence on the Financial Performance of Impact Investments. Global Impact Investing Network, 14 November, 2017



Over the next decade, the most significant application of impact investments is likely to be in the field of climate change

Over the next decade, the most significant application of impact investments is likely to be in the field of climate change. A UBS white paper, launched at Davos in 2017, argued that supporting affordable, clean energy, and climate action are the two Sustainable Development Goals that can benefit most from private investment. A year onwards, the 2018 Annual Impact Investor Survey from the Global Impact Investing Network found that 75% of respondents said they were seeking to address climate change through their investments, and many had launched dedicated vehicles within the past couple of years.

However, while the trend might be significant within philanthropic circles, it is unlikely to address the massive scale of investment required in renewable energies to meet international goals to cut carbon emissions.

STYLE OVER SUBSTANCE?

Two other business approaches to philanthropy that are gaining traction are venture philanthropy and the rise of social enterprises. However, evidence of their impact is mixed.


Venture Philanthropy

Venture philanthropy is a type of impact investment that takes concepts and techniques from venture capital finance and business management and applies them to achieving philanthropic goals. While there are rapidly growing networks in Europe and Asia and champions in the form of the Gates Foundation and USAID, little data is available on whether the focus on innovation and immediate results leads to long term success.

Social Enterprises

Social enterprises are organizations that have both business and social goals. They are likely to be a dominant feature of the civil society landscape in the global south with greatest uptake in Asia as the governments of Hong Kong, Singapore, South Korea, and the Philippines move to stimulate the social economy by easing regulations, facilitating investment, and providing seed capital for start-up social enterprises.

Although the sector is relatively new, a 2017 Asian Venture Philanthropy Network report noted a figure of 2 million social enterprises in India, 51,000 in Japan and 60,000 in the Phil-



Corporate foundations engaged in giving are likely to face greater scrutiny as public interest increases in the company's social and environmental impact.

ippines. Should the social enterprise model prosper, it could create significant advances for the leadership of women in business in Asia.²¹ However, the model has been criticized for a high failure rate²² and a focus on consequences rather than causes of social problems.

CORPORATE GIVING

Corporate giving is also on track to increase²³ and even dominate in certain contexts, such as Russia and Brazil.²⁴ However, in most cases, corporate giving is likely to limit its support to local causes or well-established national charities to avoid conflict with governments, particularly in more restrictive contexts.

One exception to this is the growth of B Corps.²⁵ Certified B Corps are a new kind of business that balance purpose and profit. They are legally required to consider the impact of their decisions on their workers, customers, suppliers, community, and the environment and are also engaged in giving through matched funding and community events. The B Corps website notes that almost 3,000 companies have signed up across 64 countries and 150 sectors, including leading multinationals, Unilever and Danone.

However, it is becoming harder for philanthropists to separate their giving from how they made their money. The scandal linking the members of the Sackler family foundations to their alleged profiting from the opioid crisis in the US through their ownership of Purdue Pharma is a recent example of this.

Overall, corporate foundations engaged in giving are likely to face greater scrutiny as media and public interest increases in the company's social and environmental impact.



Philanthropists need to show a willingness to be accountable for how funding is allocated and share power with beneficiaries.

21 A 2016 survey by the British Council of social enterprises in South Asia and Ghana found that 24% of social enterprises in India are led by women, whereas only 8.9% of mainstream enterprises and private businesses are managed by women. In both Pakistan and Bangladesh more than 20% of social enterprises but fewer than 13% of mainstream businesses are led by women.

22 See: <https://www.theguardian.com/small-business-network/2018/mar/12/social-enterprises-go-bust-all-the-time-how-the-sector-is-tackling-its-image-problem>

23 According to data from Philanthropy Outlook, corporate giving in the US has grown at 1.6 times the rate of individual giving over the last 40 years.

24 Interview with global philanthropy expert based in the UK, 2019

25 See: <https://bcorporation.net/about-b-corps>

DEMOCRATIZING GIVING

If philanthropy is to withstand accusations of plutocratic bias — particularly in the US and Europe — it will need to demonstrate how it is strengthening pluralism, rather than furthering its own interests. Furthermore, philanthropists need to show a willingness not only to be accountable for how funding is allocated but to share power with communities and beneficiaries.²⁶ This section considers trends for democratizing the giving of the largest foundations, as well as new forms of public giving.

FOUNDATIONS

Shifting power within foundations will require greater accountability not only to direct beneficiaries but to communities more widely. The first step towards greater transparency is the trend towards open data. Organizations like 360Giving in the UK and Glass Pockets in the US are already making great strides in opening up data on philanthropy.

The question of who should decide where philanthropic funds are directed goes to the heart of a fundamental tension in philanthropy: is it primarily about the act of giving and donor priorities, or should donor choice be secondary to ensuring the distribution of philanthropic resources meets and is influenced by the needs and priorities of beneficiaries?

Human rights funders are increasingly developing models of participatory grantmaking,²⁷ in which the beneficiaries of philanthropy are given a genuine say over how resources are used. Since 2015, CIVICUS and the Global Fund for Community Foundations have led the Shift the Power campaign calling for government and private funders to reduce funding to INGOs and redirect funds to local civil society in the global south.

Another way for donors to shift power would be by supporting movements. The question of how foundations and governments can support movements has been a perennial conversation. Translating that interest into action has been challenging, given the mismatch between the modalities of funding and the fluidity and informality of many movements.

The partnership between the Black Lives Matter movement and the Ford Foundation, the collaboration of several private foundations, including Ford and Novo, with the #MeToo movement, and the surge of interest from philanthropists in climate activism may indicate the beginning of a trend.

Another modest but growing trend is the rise of local philanthropy. Much of the data that exists on community philanthropy is focused on community foundations, which

²⁶ Reich, Rob. Just Giving, 2018

²⁷ Examples include Sub Saharan African LGBT funds UHAI and the Other Foundation, FRIDA — the young feminist fund, and FemFund in Poland.

represent the largest segment of known community philanthropy initiatives. It is estimated that between 2000 and 2014, the number of community foundations worldwide more than doubled.²⁸ The Global Fund for Community Foundation's Community Foundation Atlas reports over 1,800 'place-based foundations'²⁹ that include community foundations, women's funds, and environmental funds. Their impact is an issue, with the majority having fewer than five employees.

However, supporters of community philanthropy³⁰ believe community foundations will have a critical role to play in recreating a sense of solidarity and trust. They could also serve as a possible antidote to the growth of the mega-foundations and top-down approaches to giving.

DIRECT GIVING

Technology and digital platforms will continue to transform the ability of individuals to raise and direct funds to chosen projects and causes globally.

In the short term, we expect to see the rise of social fundraising platforms such as JustGiving, which has raised more than \$4.5 billion to date, and GoFundMe, which has raised more than \$3 billion from 25 million donors. Crowdfunding works particularly well in response to individual emotional appeals, such as local news events, medical issues, and disaster relief. However, the key question is whether the huge resources generated by crowdfunding could be directed in more strategic ways.

The emergence of direct giving — the direct transfer of cash by givers to recipients rather than aid through intermediary organizations is a significant development to make individual giving more impactful in the field of development aid. To date,

²⁸See: <https://www.learningtogive.org/resources/community-philanthropy>

²⁹Place-based philanthropy focuses on a specific geographic area—for example, a central city, an arts district, or a specific neighborhood—and seeks to “provide opportunities for those living in that target area to have greater involvement in the foundation’s priority-setting and decision-making process.” (See: Backer, T. E., Miller, A. N., & Bleege, J. E. Donor Perspectives on Place-Based Philanthropy. Human Interaction Research Institute, 2004.)

³⁰Community philanthropy relates to various conceptions of philanthropy, including: grassroots philanthropy, engaged philanthropy, participatory philanthropy, horizontal philanthropy, social justice philanthropy, indigenous philanthropy, place-based philanthropy, and co-production. These concepts share similar norms and values, such as: reciprocity, solidarity, social cohesion, self-reliance, and interdependence. (See: <https://globalfundcommunityfoundations.org/wp-content/uploads/2019/08/WhatIsCommunityPhilanthropy.pdf>)



Experts believe
that digital
currencies
could
fundamentally
change how
philanthropy
works in the
future.

US charity, GiveDirectly, has used electronic monitoring and payment technology to enable the public to give more than \$100 million in unconditional direct cash transfers to extremely poor communities in Eastern Africa with 91% of all funds reaching the end-user.

Direct giving has created a new benchmark for efficiency by giving recipients full control over how they manage their resources. It also has the potential to challenge existing models of aid. In response, leading global organizations, such as Oxfam, have begun experimenting with more direct approaches to giving in conflict-affected areas.³¹

EMERGING TECHNOLOGY AND PHILANTHROPY

Emerging technology will have a profound impact on philanthropy over the next two decades. The use of algorithms in giving will be a natural extension of data-driven philanthropy, while new encryption technologies will also transform how we give.

Even champions of artificial intelligence for social good have raised concerns that an increasing number of platforms and conversational interfaces, for example, Alexa and Cortana, might design algorithms that direct users to a limited selection of charities and issues rather than a broad diversity of causes and groups. Concerns have also been raised about the proposed evolution of algorithms that aim to rationally allocate resources according to need and effectiveness in the absence of an agreed set of goals for these “philgorithms.”³²

Concerning how we give, philanthropic experts believe that digital currencies could fundamentally change the way philanthropy works in the future. Bitcoin is an example of cryptocurrency: a new form of digital money not linked to a government or central bank.

The technology which makes this possible is the blockchain, a revolutionary new type of ledger for transactions that are owned and maintained by all the users of the system rather than being controlled by a single authority. With the proliferation of Bitcoin and other forms of cryptocurrencies this decade, a growing number of charities are beginning to receive donations via these transaction vehicles.

In the short term, blockchain will diversify the sources of funding available to civil society and offers a secure and transparent way for humanitarian and development funders to transfer funds to conflict-affected contexts. In the long term, the development of quantum computing, which will be able to undermine existing forms of encryption that blockchain relies on, could pose an existential risk to the future of this form of giving, and to those philanthropic organizations or charities that become dependent on cryptocurrencies.

³¹ See: <https://views-voices.oxfam.org.uk/2015/04/oxfams-cash-work/>

³² See: <https://www.cafonline.org/about-us/blog-home/giving-thought/the-future-of-doing-good> for expert commentary on the implications of new technologies and social trends for giving including artificial intelligence and cryptocurrencies.

THE RISE OF REGRESSIVE PHILANTHROPY

While philanthropic and public support for causes and organizations whose work opposes progressive issues is not new; civil society experts have noted a significant growth of conservative, and in some case regressive, civil society actors over the last decade.³³ These range from far-right populist movements in the US and Europe opposing immigration and minorities, to anti-gender campaigners seeking to restrict legal protections for women and LGBTI persons in Latin America, Sub-saharan Africa, and Europe, to fundamentalist groups advocating hatred and violence against religious minorities across the Middle East, North Africa, and South Asia.

The most comprehensive mapping of this phenomenon to date is from the Carnegie Endowment for Peace and the Global Philanthropy Project. Less well documented is how these organizations and movements are funded outside of the US, and how regressive philanthropy will undermine the goals of progressive philanthropy.

CONCLUSION

Changes in technology, the demographics, and priorities of philanthropy over the coming decades will have far-reaching implications for civil society organizations. Technology is set to transform how the public gives, and all civic actors will need to operate effectively in a digital world. It is also not a given that the next generation of philanthropists will recognize the value of civic freedoms and civil society rooted in pluralism. The onus will be on progressive philanthropic foundations to use their leverage to cultivate alliances with the next generation of philanthropists and ensure the goal of a thriving civic space will continue to be supported.

³³ Richard Youngs, Gareth Fowler, et al. The Mobilization of Conservative Civil Society. What conservative civic activism portends for global civil society. Carnegie Europe. 4 October, 2018

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