

Philanthropy 2020

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Fund Raising • Development Services • Strategic Consulting

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Presentation Outline

1. The Evolving State of Philanthropy: 2008-2020
 - Philanthropy Today
 - Long-Term Growth

2. Shifting Context
 - Trends Around Philanthropy
 - Trends Within Philanthropy

3. Conclusions
 - Where are we headed?
 - How can organizations respond?

**Philanthropy Today:
A Snapshot**

2006 Giving

■ How much?

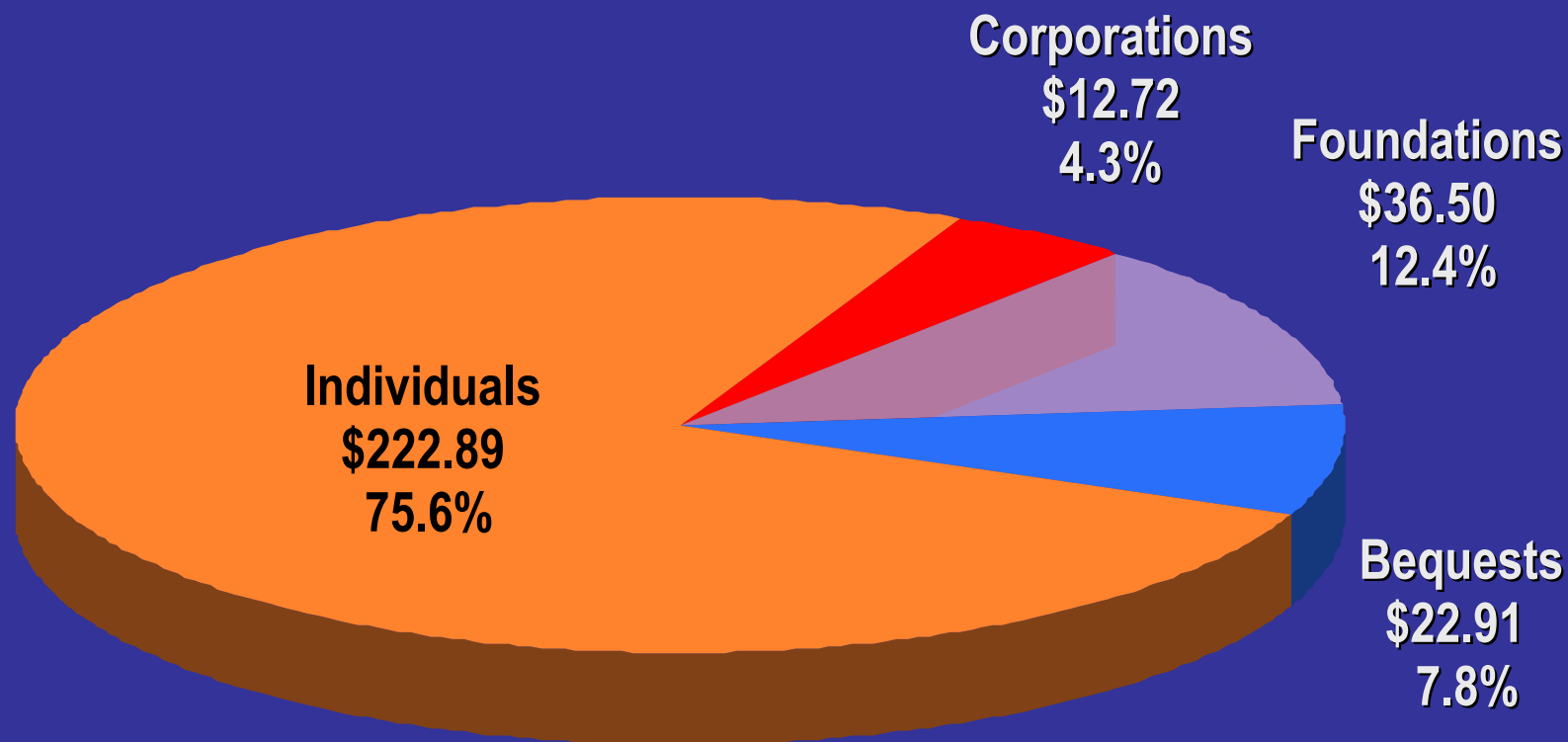
- Total amount given in 2006: **\$295.02 billion**

■ For comparison

- Total revenues of BP in 2006: **\$267.6 billion**
- In 2006, BP was the world's 4th largest corporation according to FORTUNE magazine

Giving: The 2006 Numbers

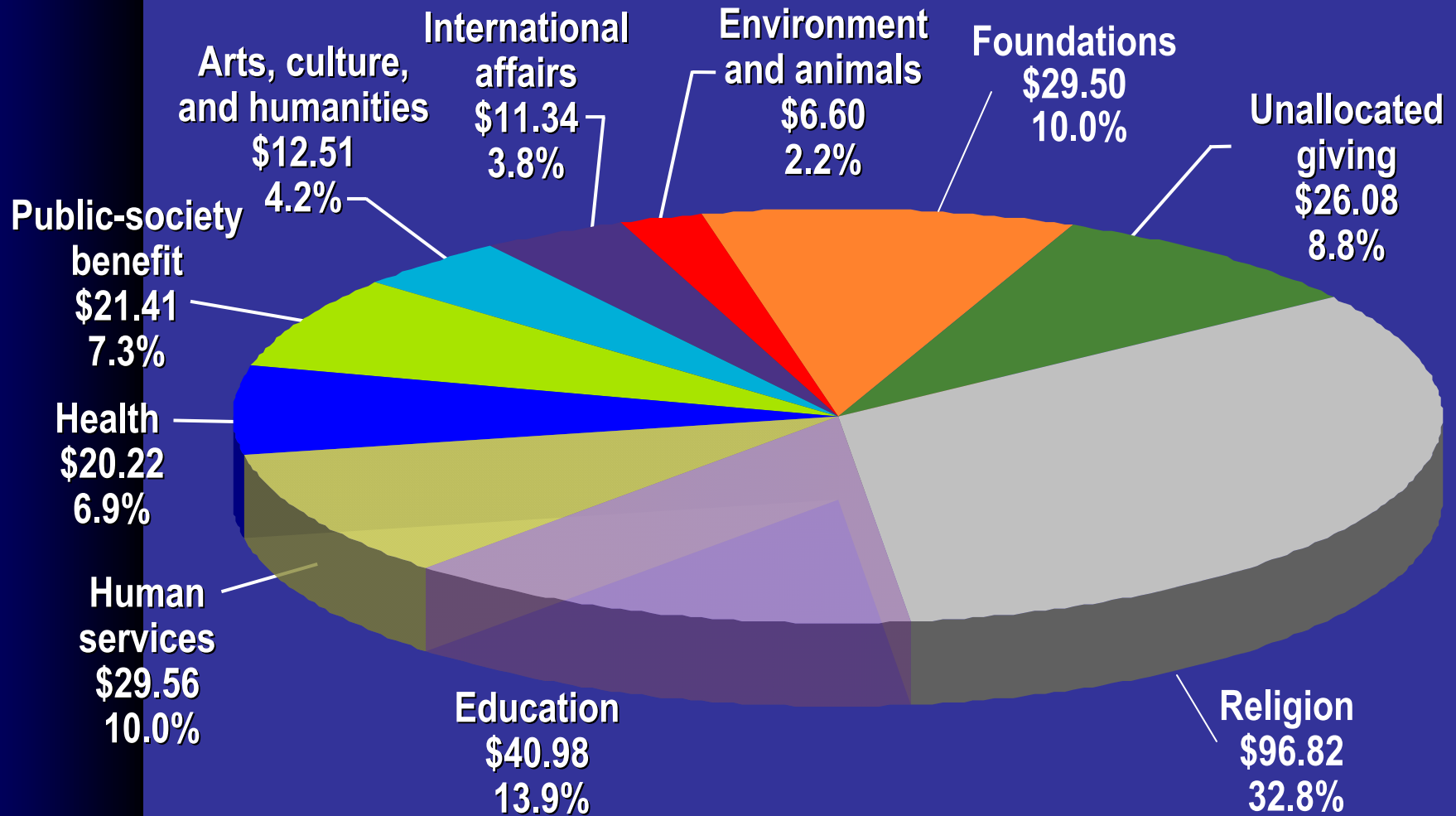
■ Contributions by Source: \$295.02 billion



Source: Giving USA Foundation™/Giving USA 2007

Receiving: The 2006 Numbers

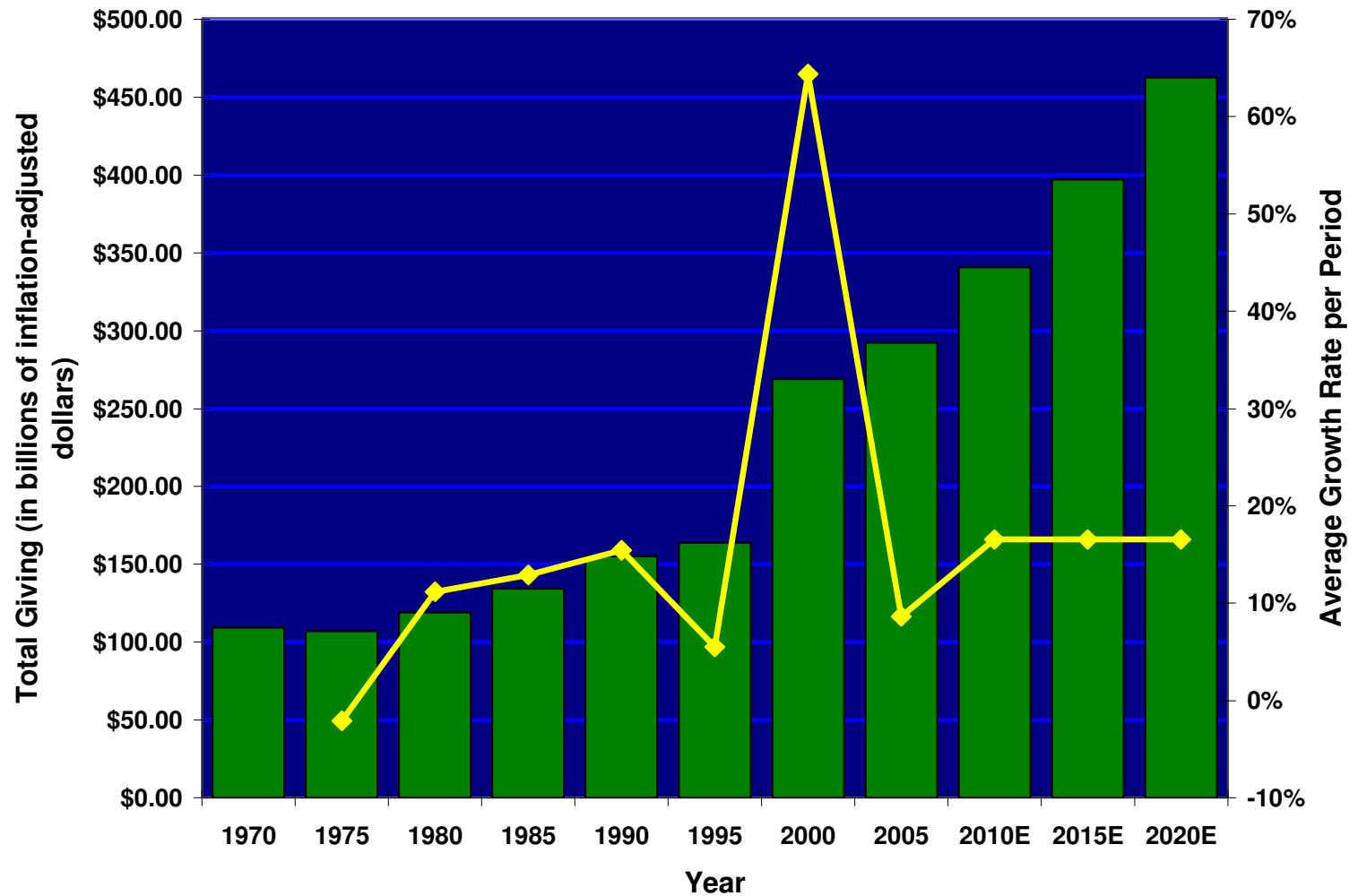
■ Recipients of Contributions: \$295.02 billion



Source: Giving USA Foundation™/Giving USA 2007

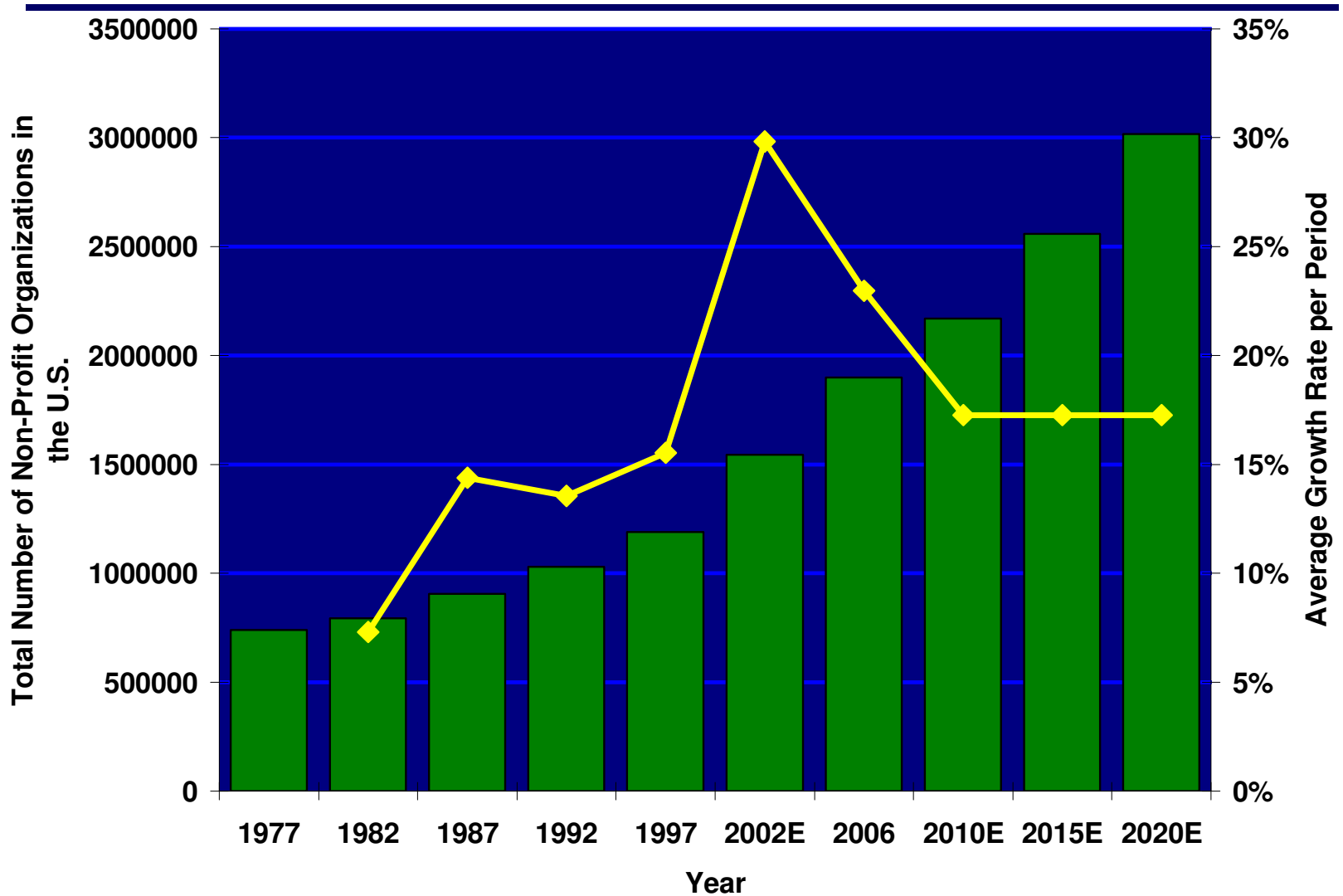
**Lasting Impact:
Growth Over Time**

Total Giving, 1970-2020



Source: Giving USA Foundation™/Giving USA 2007

Total Non-Profits, 1977-2020



Source: Independent Sector - The New Nonprofit Almanac In Brief and Independent Sector – Facts and Figures about Charitable Organizations



**Shifting Context:
The Landscape**

Shifting Context: The Landscape

Interacting trends that shape philanthropy and its role



Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists

Shifting Context: The World *Around* Philanthropy

■ Privatization

- The complex evolution of power that is redistributing resources and influence.

■ Connection

- The explosion of ways to connect people at any distance for almost any reason, which leads to new threats and new opportunities.

■ Acceleration

- The speed with which knowledge is created, shared, and drives change.

Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists



Privatization

Shifting Context: *The World Around* Philanthropy

Privatization



- NGOs can work alongside governments and across boundaries.
- Wealthy individuals can lead international efforts once the domain of governments.

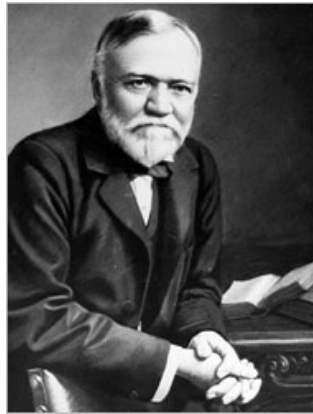
In 1970, 70% of the capital flows to the developing world were from the government sector and 30% were from the private sector. In 2003, only 20% were from the government sector and 80% were from the private sector.

Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists

Shifting Context: The World *Around* Philanthropy

Giving it Away, Then and Now - The New York Times 7/2/06

- Then...Andrew Carnegie and John D. Rockefeller



Associated Press



Associated Press

- Pioneers in big business and bricks-and-mortar philanthropy
- Built libraries (Carnegie) and educational institutions (Rockefeller) from the ground up
- Influenced by vertical, industrial economy they helped to create
- Endowed foundations still in operation today

Shifting Context: The World *Around* Philanthropy

Giving it Away, Then and Now - The New York Times 7/2/06

- Now...Warren Buffett and Bill Gates



Jeff Christensen/Microsoft, via Agence France-Presse

- Gates' approach to philanthropy influenced by the less hierarchical, networked economy he helped to create
- Along with private-sector partners, Microsoft and Gateway, The Gates Foundation has provided computers and technology to 11,000 libraries
- Focus on research and development to develop treatments and cures for diseases such as malaria, TB, and HIV/AIDS
 - Work alongside established institutions (WHO and World Bank) and pharmaceutical companies



**Connection
and
Acceleration**

Shifting Context: *The World Around* Philanthropy

■ Connection

- Positive results
 - Global connection and commerce
- Adverse effects
 - Spread of disease, environmental threats and political instability



Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists

The SARS Epidemic of 2003

Example

- SARS, a previously unknown and highly infectious respiratory disease, emerged from China in February 2003.
- Within a few months, the disease had spread across 32 countries, infecting nearly 8,000 people and killing more than 700.

Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists

Shifting Context: The World *Around* Philanthropy

The SARS Epidemic of 2003

Example

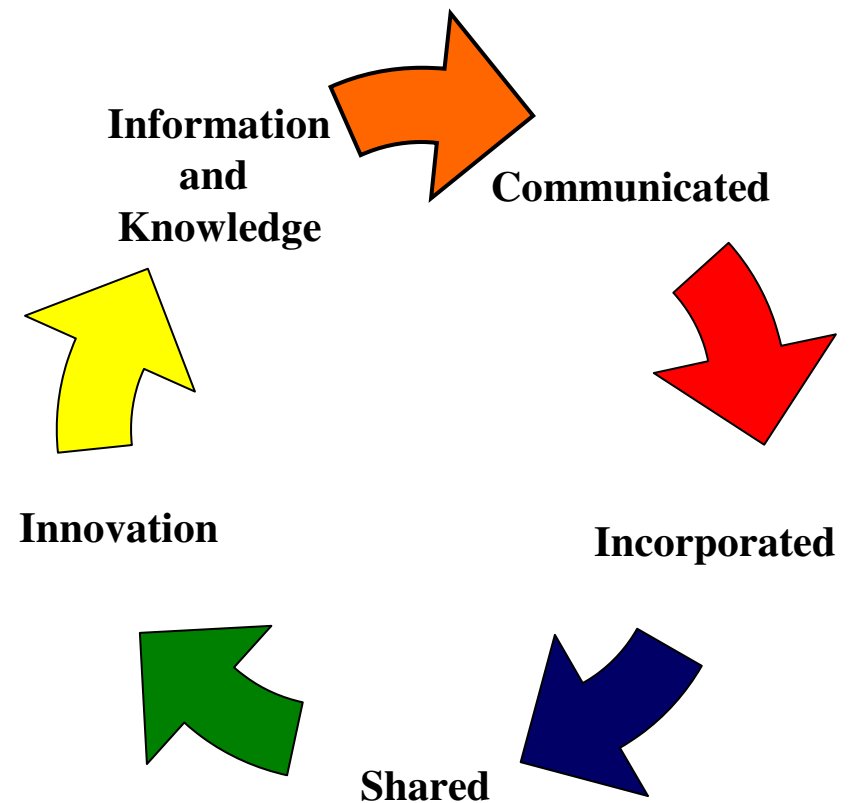
- Within a month after the disease had spread from China, the World Health Organization facilitated 11 research labs around the world in an effort to find and analyze the cause of SARS.
- The labs were able to coordinate what they were learning and share data and information in real time, conferencing daily over the phone and on the Web.
- One week after the project began, the team of labs isolated a candidate virus.
- Within a month, the labs had conclusively proved that the virus was the cause of SARS, sequenced the virus, and developed several diagnostic tests.
- Four months after the first outbreak outside of China, the epidemic was successfully contained.

Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists

Shifting Context: *The World Around* Philanthropy

■ Acceleration

- Creation and diffusion of knowledge accelerating
 - Information and knowledge themselves become accelerants
- Requires institutions at all levels to respond to rapidly shifting circumstances



Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists

Shifting Context: The World *Around* Philanthropy

Online Giving

Charitable Giving

- The Internet enables people to:
 - Decide where and how much money to donate
 - Research causes
 - Determine if a non-profit is legit and in financially sound shape

Democratizing Online Giving

- \$7 billion was donated online in 2006
 - Small % of overall giving, but it is **doubling every two years**
- Appeal of convenience and anonymity

Shifting Context: The World *Around* Philanthropy

Give Like An Entrepreneur

The Internet allows individuals of almost any financial level to make use of:

- **Networking**

- 75% of individuals say they give to charity because friends and family ask them
- The Case Foundation is hosting a competition in which users of the Causes application on Facebook and readers of Parade magazine can compete to win between \$250,000 and \$500,000 for their favorite charities
- Kevin Bacon teamed with **Network for Good** to set up **Six Degrees**, a website where individuals can set up accounts to ask their friends and family to contribute to designated, licensed U.S. charities
- **Chipin.com** allows users to solicit money for a specific cause and use PayPal to collect the funds

Shifting Context: The World *Around* Philanthropy

Give Like An Entrepreneur

The Internet allows individuals of almost any financial level to make use of:

- **Highly Targeted Giving**

- More than 58% of high net worth individuals say they would give more to charity if they could determine their gift's impact
- **Global Giving** allows individuals to target contributions to specific projects (i.e. water systems or schools) and donors receive regular progress reports for their donations
- **Heifer.org**, an organization aiming to eliminate hunger, allows users to purchase farm animals or trees for families or communities throughout the developing world

Shifting Context: The World *Around* Philanthropy

Give Like An Entrepreneur

The Internet allows individuals of almost any financial level to make use of:

- **Specialized Volunteering Efforts**

- Easier for the individual and non-profit to go through intermediary agencies
 - Many organizations do not have the resources to manage volunteers on their own
 - Match volunteer's skills and interests to available projects
- The **Hands on Network** helps people find volunteer opportunities that can last for just one day or find a place to make a longer-term time commitment



**The World *of*
Philanthropy**

Shifting Context: The World *of* Philanthropy

■ Multiplication and Diversification

- The shift of resources into private hands has generated new wealth for philanthropy and has brought additional players and perspectives to the creation of social benefit.

■ Observation

- Growth in the sector has increased the appetite of outsiders - the press, the public, the politicians - to look into the once-quiet, often insular world of philanthropy.

■ Reflection

- The accumulation of experience practicing philanthropy, a new emphasis on studying and sharing experience, and a new means to do so in networks of all kinds have boosted the capacity to make informed decisions.

Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists

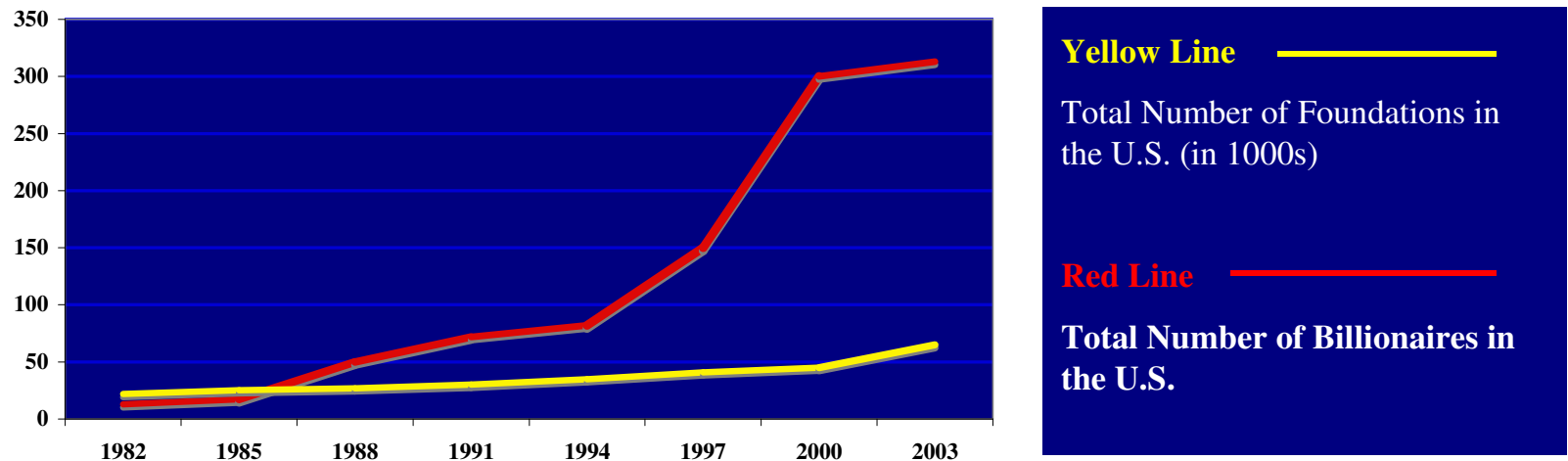


**Multiplication
and
Diversification**

Shifting Context: The World *of* Philanthropy

■ Multiplication

- Not just that the rich are getting richer: there are more of them
- Forbes reports that there are a record 371 billionaires in the United States, up from just 13 in 1982
- Rapid growth in the number of donors, donor-advised funds, foundations, and giving circles
- At the current pace of growth, 11 new foundations and 119 nonprofits are created every day in the U.S.



Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists

Shifting Context: The World *of* Philanthropy

Diversification

- Philanthropy is **diversifying**.
 - Wealthy include growing numbers of women and minorities
 - Younger donors
 - Made money in emerging industries such as information technology and biotechnology
 - New assumptions about getting things done
 - Want to be active as living donors
 - Entrepreneurial nonprofits

Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists

Gifts of \$100 million or more in 2006

\$1 billion and above

Donor	Amount	Recipient
Warren E. Buffett	\$ 30,000,000,000	Bill and Melinda Gates Foundation
Warren E. Buffett	\$ 3,000,000,000	Susan Thompson Buffett Foundation
Herbert and Marion Sandler	\$ 1,300,000,000	Sandler Family Supporting Foundation
Warren E. Buffett	\$ 1,000,000,000	Howard G. Buffett Foundation
Warren E. Buffett	\$ 1,000,000,000	NoVo Foundation
Warren E. Buffett	\$ 1,000,000,000	Susan A. Buffett Foundation

\$500 million to \$999.99 million

Bernard A. Osher	\$ 723,300,000	Bernard Osher Foundation
Jim Joseph (estate)	\$ 500,000,000	Jim Joseph Foundation

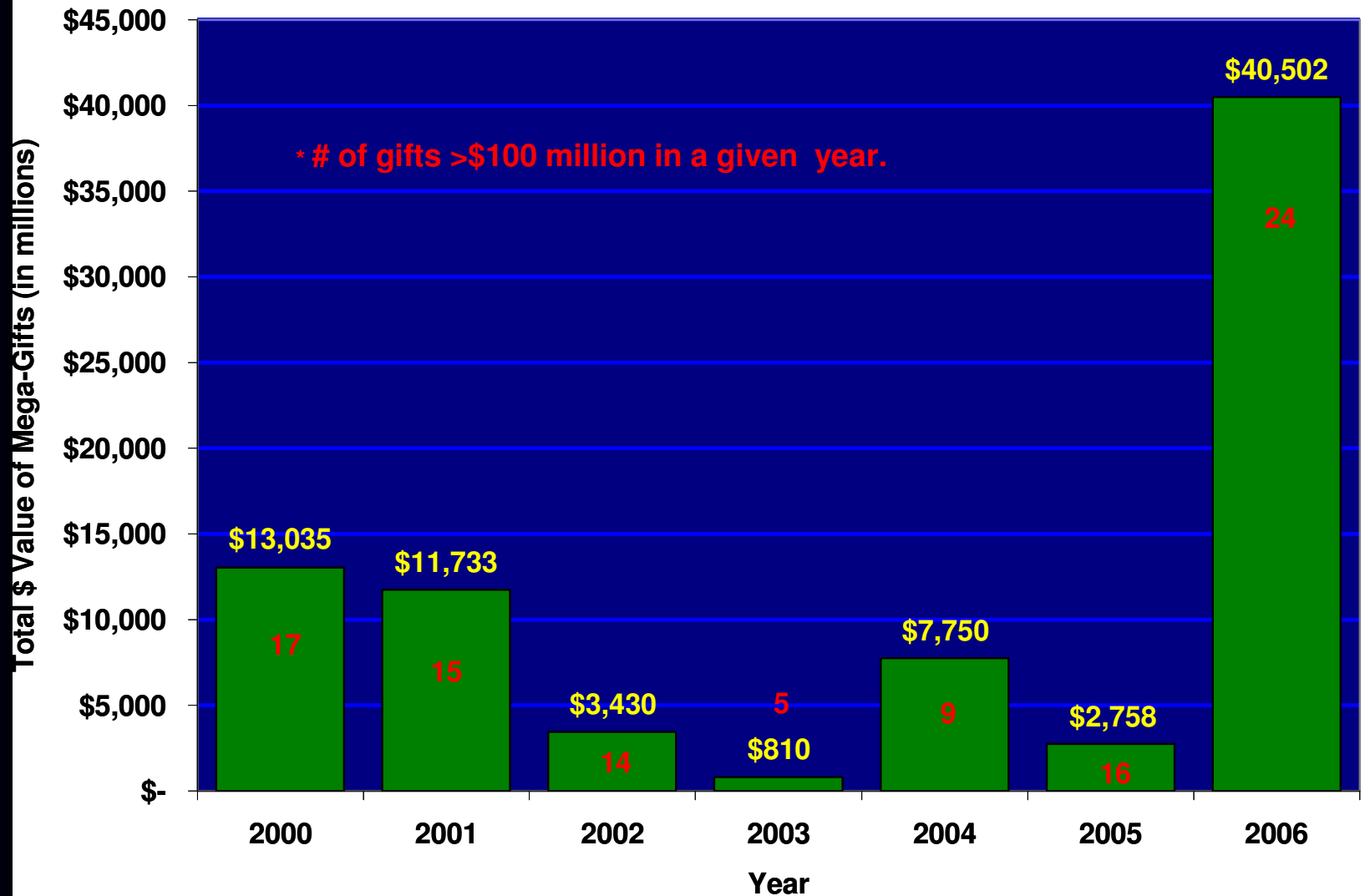
\$250 million to \$499.99 million

No gifts found

\$100 million to \$249.99 million

David Rockefeller (pledge)	\$ 225,000,000	Rockefeller Brothers Fund
Joan Palevsky (estate)	\$ 200,000,000	California Community Foundation
Stanley W. Anderson (pledge)	\$ 150,000,000	Presbyterian Church of the USA
Eli and Edyth L. Broad	\$ 137,600,000	Broad Foundations
T. Boone Pickens	\$ 135,000,000	T. Boone Pickens Foundation
Michael Bloomberg	\$ 125,000,000	Various Organizations
Philip H. Knight	\$ 105,000,000	Stanford University Graduate School of Business
Peter B. Lewis	\$ 101,000,000	Princeton University
Anonymous	\$ 100,000,000	Johns Hopkins University
John Arrillaga	\$ 100,000,000	Stanford University
Dan L. Duncan and Family	\$ 100,000,000	Baylor College of Medicine
Lawrence J. Ellison	\$ 100,000,000	Ellison Medical Foundation
Ira and Mary Lou Fulton	\$ 100,000,000	Arizona State University Foundation
Lorry I. Lokey	\$ 100,000,000	Lorry I. Lokey Supporting Foundation
Ronald P. Stanton	\$ 100,000,000	Yeshiva University
Mortimer B. Zuckerman	\$ 100,000,000	Memorial Sloan-Kettering Cancer Center

Mega-Gifts >\$100 million, 2000-2006



Source: Giving USA Foundation™/Giving USA 2001-2007

Mega-Gifts, 2000-2006

- 16 gifts were for amounts of \$1 billion and above.
- Warren E. Buffet's 2006 gift of \$30 billion to the Bill and Melinda Gates Foundation was the largest single gift during this period and to date.
- Bill and Melinda Gates contributed a total of \$10.32 billion to their own foundation between 2000-2006.

Shifting Context: The World of Philanthropy

Living Donors

These folks don't just write checks; they give deeply of themselves, their time, effort and ingenuity.

Active Participants

-The Philanthropic Pitch, Forbes.com 1/25/08



clintonfoundation.org



gatesfoundation.org



soros.org

In what will be the largest single gift to a European university, George Soros is giving \$250 million to endow Central European University... The endowment is part of Mr. Soros's overall commitment to give away his fortune while he is alive, rather than leaving a philanthropic fortune to be directed by others who might not share his vision.

-Soros Gives \$250 Million to University in Europe, The New York Times, 10/14/01

Shifting Context: The World *of* Philanthropy

Microfinance and Microloans

Microfinance has become a buzzword of the decade, raising the provocative notion that even philanthropy aimed at alleviating poverty can be profitable to institutional and individual investors. - The World's Top Microfinance Institutions Forbes 12/20/07

■ Grameen Bank

- Founded three decades ago in Bangladesh by Muhammad Yunus, the 2006 Nobel Peace Prize winner

■ As many as half of the world's 3 billion poor may be eligible for microloans

■ Average loan sizes vary from \$100 in India to \$1,530 in Bolivia

■ Currently, \$17 billion in loans outstanding

- Represents 10% of potential microfinance market (McKinsey & Co. Report)

Source: The World's Top Microfinance Institutions and Microfinance Fever from Forbes.com

New Thinking in Philanthropy

Old

- Giving late in life
- Foundations as the key institutional form
- Social benefit equals the nonprofit sector
- Philanthropy corrects for the market, because market is part of the problem
- Older, white, male leadership
- Donors focus on communities where they live or have a connection
- Donors fund great strategies brought to them by nonprofits

New

- Giving throughout life
- Foundations as one form of many
- Social benefit can come from any sector
- Philanthropy connects to the market because the market is part of the solution
- Diversifying leadership
- Donors focus on both close to home and on systematic global problems with equal ease
- Donors have great strategies and fund great strategies

New Thinking in Philanthropy

Old

- Donors set general goals
- Donors make gifts
- Money is the resource, grants the tool
- Donors keep grantees at arm's length
- Donors give independently
- Donors content to do good
- Donors learn from their own work

New

- Donors set specific targets
- Donors make investments, award contracts, and make gifts
- Influence is the resource, money is one tool
- Donors highly engaged with partners
- Donors give independently and give together
- Donors try to assess impact
- Donors learn from their work and share what they learn with others



Observation

Shifting Context: The World *of* Philanthropy

- Observation
 - Scrutiny
 - Attracting attention
 - Growth in number of people and amount of money in social sector
 - Increasing availability of information on sector players
 - Instantaneous communication of information
 - Accountability and transparency
 - Higher standards for both givers and grantees
 - SOX

Source: Monitor Company Group, LLP - Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists

Shifting Context: The World *of* Philanthropy

Asking the Do-Gooders to Prove They Do Good

The New York Times 1/3/04

"Accountability is the central issue of our time," writes Coralie Bryant

In her survey, Ms. Bryant of Columbia found that the NGO's that were least dependent on donor financing were often most effective at evaluating their own work and learning. The reason, she wrote in a research paper, is that the search for rapid results "can mean either pushing for quick fixes or insisting upon digging up the seedling to examine its roots before it can bear fruit."

In his new book, "NGO's and Organizational Change: Discourse, Reporting and Learning" (Cambridge University Press, 2003), Mr. Ebrahim tells the story of the Aga Khan Rural Development Program in India, which was forced by international pressure to track 89 different statistics, like births and deaths, farm yields and school graduations, in the rural villages where it was working.

The reams of data were compiled for annual reports, but the field workers said they were not very useful for their day-to-day efforts. So the workers also recorded three or four significant observations in each village they visited, like whether farmers planted mustard instead of peanuts. This information turned out to be much more useful in spotting emerging trends and determining the most effective programs, Mr. Ebrahim said.

"I think it's a general assumption that the more rigorous you can make performance measurement, the better," he added. "And in principle that's not a bad idea. But in reality it takes scarce resources away. So there's an opportunity cost. If we were to focus instead on measures that make a difference, rather than measures that are countable, I think we would have more accountability."

Source: The New York Times 1/3/04



The Road Ahead

Philanthropy 2020 – Consider a Possible Future

- What if donors decided the best way to be accountable was to stop making grants and just start their own programs?
- What if community foundations changed their structure to become even more responsive and accountable to the needs of their communities?
- What if the unintended consequence of new pressures is the deprofessionalization of philanthropy?
- What if the current boom of interest in measurement and metrics went too far?
- What if grantmakers began to use their entire endowments to promote social change, rather than just the five percent they give annually?

Philanthropy 2020 – Consider a Possible Future

- What if a comprehensive technological infrastructure put accessible information about giving at the fingertips of every donor?
- What if new networking technologies allowed people to easily link to others who share specific philanthropic interests?
- What if people began to make their charitable investments through managed philanthropic portfolios that worked much like mutual funds?

If the Past is Prologue... 2020 Would be Defined By:

- **Competition:** More than 3 million nonprofits
- **Oversight:** Sarbanes-Oxley Act; Patriot Act
- **“MegaMac” Gifts:** \$1 billion gift with macro vision
- **Extreme Need:** Chasm between rich and poor is growing rapidly.
 - “in the beginning of the last century the ratios between the 10 richest countries and the 10 poorest countries was 10:1. By the year 1960 the ratio was 30:1. Now it's just past 75:1, which means that the average person in a rich country makes \$75 more per day than the people in the poorest countries.” – Jimmy Carter*

*Source: Keynote Address By Jimmy Carter, former U.S President and 2002 Nobel Peace Prize Laureate
Feb. 21, 2004, St. Olaf College, Northfield, MN

If the Past is Prologue... 2020 Would be Defined By:

- **Global Engagement:** Organizations and donors reaching out to those suffering abroad.
- **Professional Philanthropists:** Business leaders focusing efforts on giving away their fortunes.
- **Speed:** In giving, allocating, and responding
- **Regulation?:** (Perhaps) new guidelines on foundation giving (see education endowment discussion)

What Can We Do Now?

- Exploit Philanthropy's strategic advantage
 - It supports social benefit with governments and businesses, but is very different from them. Philanthropic money has the most ability to take risks and to be patient or to move quickly.

What Can We Do Now?

■ Embrace Complexity

- In the past, “cultivating clarity” was a key objective of institutions. In the future, experimentation that sees complexity as part of the nature of the problem will be required. Philanthropists seeking greater impact will have to develop more sophisticated strategies.

What Can We Do Now?

■ Seek Cooperative Advantages

- Work in concert with others. Donors will be doing this with greater frequency and effectiveness. By 2020 it may make as much sense to identify a useful network and join or incubate it as to seek a distinctive niche and occupy it.

What Can We Do Now?

■ Invite Meaningful Scrutiny

- More attention being paid from the outside and more reflection being generated on the inside. Harder questions being asked – THIS IS HERE TO STAY. Use growing pressure as a source for learning.