



PHILANTHROPY AND THE GLOBAL ECONOMY v2.0

Reinventing Giving in Challenging Times

Citi GPS: Global Perspectives & Solutions

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PHILANTHROPY AND THE GLOBAL ECONOMY v2.0

Reinventing Giving in Challenging Times

Andrew Pitt

Head of Research

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Building upon the November 2021 Citi GPS report [Philanthropy and the Global Economy](#), we are delighted to again partner with Citi's Private Bank as well as with a group of expert partners to review the latest developments in philanthropy. We address two specific research topics by again conducting an extensive literature review and participating in multiple sessions with expert commentators. We are particularly grateful to the experts listed in the author block of this report for their contributions to our study.

We argued in last year's report that the scale of philanthropy's contribution to the global economy needs to be much more broadly recognized, especially within the policymaking world. Many of the world's greatest challenges can be better overcome by a broader partnership between the public, private, and non-profit sectors. After significant responses to the pandemic and a growing involvement in supporting the green transition, the crisis in Ukraine has provided a fresh and unexpected challenge for philanthropy. The evidence to date is that the Ukraine crisis has led to a very broad and swift philanthropic response. It may also have served to perpetuate some trends seen during the pandemic such as a growth of trust-based philanthropy. There is a very mixed picture across countries as to total philanthropic giving in 2021. It is, however, clear that the very economic conditions that now prompt a greater need for philanthropic giving have historically been a headwind to it. Foundations and charities, in particular, face the new challenge of managing very significant inflation in staff and procurement costs at a time when many of them need to use non-earmarked funds for investment in better technology platforms.

After an overall review of the state of global philanthropy in 2021, we consider in this report two specific developments. First, we examine in more detail how an even closer integration of philanthropy and investment could unlock significant funding for charitable aims. While we have previously calculated the value of monetary donations globally each year as in excess of \$500 billion, the non-profit sector also holds significant investment assets and sits on a spectrum that ranges from social enterprises to for-profit companies. We argue that better targeting of the total stock of philanthropy in collaboration with other players across this spectrum, and in pursuit of specific mutual goals, could yield material benefits to economies and societies.

Second, the surge in value of digital assets in 2021 yielded record growth in digital asset giving, with some organizations reporting between a sixfold and twelvefold increase in digital asset donations. While part of this growth was clearly fueled by a remarkable price phenomenon in cryptocurrency, we see certain trends as secular. The emerging field of digital asset giving stands to change the practice of philanthropy, from reducing the requirement for trust between donors and recipients through the use of blockchain, to increasing the transparency of charitable giving. Also, the new digital donors tend to be younger and male, historically a more elusive group for most donor acquisition strategies. One thing is for certain: Foundations and charities need to be digital asset ready.

This new report is the second installment in what we plan to be an annual series conducted in partnership with Citi's Private Bank and world class experts. We hope this report continues to stimulate a positive debate on how best to maximize the value of philanthropy's contribution to our world. |

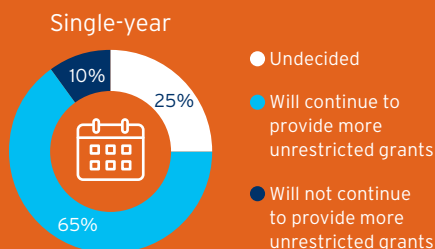
Crisis Spurs Innovation

PANDEMIC-ERA GIVING PRACTICES LOOK LIKELY TO CONTINUE

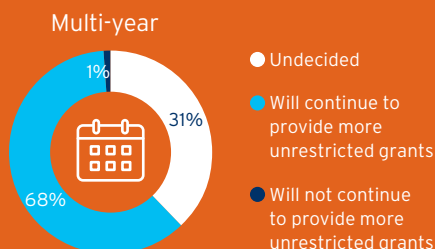
Despite an increase in charitable sentiment and prosocial attitudes, it seems more likely that pandemic-era giving practices, like “trust-based” philanthropy, will persist rather than an elevated level of donations. Survey data suggests the pandemic has likely catalyzed the adoption of unrestricted grants – a pillar of trust-based philanthropy – and the adoption of a more streamlined application process.

Providing unrestricted grants looks likely to continue post pandemic

Source: Center for Effective Philanthropy



- Undecided
- Will continue to provide more unrestricted grants
- Will not continue to provide more unrestricted grants



- Undecided
- Will continue to provide more unrestricted grants
- Will not continue to provide more unrestricted grants

Note: Foundation data.

60%
of foundation leaders are awarding more unrestricted grants than pre-pandemic.

65%
of those 60% intend to continue with this higher level of unrestricted giving.

1%
of grantmakers planned to discontinue newly streamlined application processes.

5%
planned to revert to their previous reporting requirements.



CONFLICT IN UKRAINE A SIGNIFICANT CATALYST FOR GLOBAL GIVING IN 2022

The onset of the Russia-Ukraine conflict prompted an immediate outpouring of support from all corners of society. Foundations, corporations, and individuals responded to the immense humanitarian need with record-breaking donations from the general public in some regions.

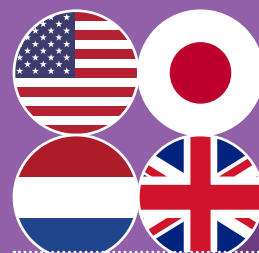
In response to the Ukraine crisis:



A further
\$767mn
in grants were pledged



\$1.9mn
booked to
Ukrainian Airbnbs
as donations in
just 48 hours



More than
1,450 grants
totaling
\$1.4bn
were made



£60mn
was donated
during one week
by the British
public



The U.S., Japan,
the Netherlands,
and the U.K.
donated over
\$1.1bn

Source: Candid, Disaster Emergency Committee Ukraine Appeal, Airbnb, UN OCHA

INVESTORS' GROWING IMPACT AWARENESS MAKES THEM NATURAL PARTNERS FOR PHILANTHROPY

Philanthropy no longer needs to work alone in achieving positive social impacts. Many impactful activities can be made investable, generating financial returns for investors. As the field of impact investing becomes more established, investments can be leveraged in support of philanthropist's aims, while also delivering market-rate returns to fund future grantmaking.

Philanthropists can shift their investment practices to consider impact in various ways

Negative Screening

Excluding specific industries or companies from investment portfolios, especially those considered counterproductive to the aims of the charity.



Values-Aligned Investments

Including a philanthropist's values in making investment decisions, e.g., sustainability.

Stewardship & Engagement

Engaging with investee companies through well-known strategies including active voting, management conversations, and shareholder resolutions.



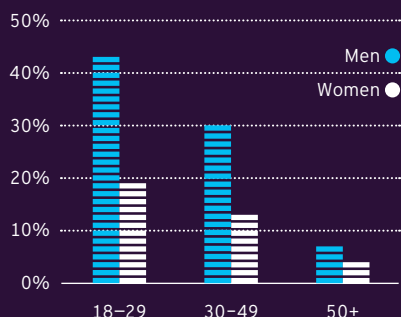
Mission-Aligned Investment

Making investment decisions to directly advance a philanthropist's mission.

DIGITAL ASSET DONATIONS HAVE RISEN IN RECENT YEARS AND COULD CHANGE THE DONOR BASE

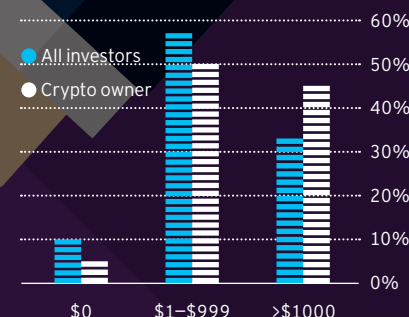
Charitable donations in cryptocurrencies skyrocketed in 2021, but still remain a very small share of overall monetary donations. Growth in 2022 may continue as digital assets have become an increasingly popular medium of donation for aid surrounding the conflict in Ukraine. Importantly, digital asset donations have the potential to grow the donor base and the total stock of philanthropy, as well as shift the focus of philanthropy as digital donors seem to support different causes than traditional donors.

Share of U.S. population having invested, traded, or used cryptocurrency, by age

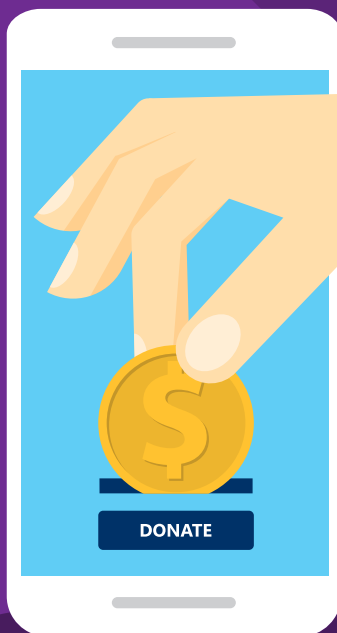


Source: Pew Research Center

Crypto investors more likely to give to charity and to give more



Source: Fidelity Charitable



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Introduction and Key Conclusions

Philanthropy is often called upon in times of difficulty. From natural disasters and climate-related emergencies to the more recent examples of human pandemics and conflict, philanthropy often provides significant funds both to alleviate the suffering of these crises and to rebuild in their aftermath. In the face of significant inflation and an increasing risk of recession, philanthropists will once again be asked to support the vulnerable through difficult times.¹ Yet, the very conditions that now prompt the need for philanthropic giving have historically been a headwind to it.

In this report, we ask how philanthropy can rise to the challenge of unlocking more funding for non-profits as giving comes under pressure. In the face of these challenges, Matt Whittaker from Pro Bono Economics notes in an interview featured further in this report, *“there is some comfort to be found in the sector’s ability to always find a way.”* We consider two innovations that might help: (1) integrating philanthropic and investment capital more closely and (2) accessing a novel donor base in digital asset owners. We do not claim that either is a complete solution. Indeed, we note the challenges that digital asset giving in particular might face after a record year in 2021. Yet, each of these innovations could increase the contribution of philanthropy to the global economy, at the very moment it once again feels intense demand.

Storm Clouds on the Horizon of Global Giving

In 2021, prosocial behaviors like the acts of donating, volunteering, and helping strangers increased in every region as the global average for these three metrics surged by almost 25% compared with pre-pandemic levels. Yet, while this translated into higher charitable receipts in some places — for example, in both France and Germany, charitable giving outstripped inflation, in other places, it did not.² In some countries, donations fell in inflation-adjusted terms in 2021 — in the U.S., receipts fell a modest 0.7% compared with 2020 — while in others, the figure fell in absolute terms — the U.K. saw declines from a 2020 high of £11.3 billion (\$12.3bn) to £10.7 billion.³ In still others, the pandemic never brought an increase in charitable giving: in Canada, declines started in 2018 continued through both 2020 and 2021.⁴

This is clearly a mixed global picture. Yet, setting aside the conflict in Ukraine as a catalyst of specific kinds of giving in 2022, the situation stands to worsen further as inflation and recession risk both weigh on donors’ confidence in many countries. Indeed, the warning bells for declining or stagnant giving are already sounding. In the U.S., more than 60% of donors plan to be more cautious in 2022.⁵ The same is true of Canada, where one in four plan to give less.⁶

¹ Citi Research, [Global Economic Outlook: Global Recession Risks Rise Further](#), September 13, 2022.

² France générosités, [“Barometer of Generosity 2021 – France générosités – May 2022,”](#) (French language), May 30, 2022; German Donations Council and GfK, [“Balance of Help 2022,”](#) (German language), March 3, 2022.

³ Giving USA Foundation, *Giving USA: The Annual Report on Philanthropy for the Year 2021*, Chicago, 2022; Charities Aid Foundation, *UK Giving Report 2022*, 2022. Currency conversions throughout the report are as of September 28, 2022.

⁴ CanadaHelps, *The Giving Report 2022: Giving at a Crossroads*, 2022.

⁵ Dunham+Company, *Donor Confidence Falters in Light of Economy and Inflation*, June 2022.

⁶ CanadaHelps, *The Giving Report 2022: Giving at a Crossroads*, 2022.

As Laura MacDonald, Principal and Founder of Benefactor Group and Immediate Past Chair of the Giving USA Foundation notes in an interview featured in this report, *“Inflation, market declines, and sluggish GDP may create headwinds for charitable giving — growth in giving has typically slowed in the face of such challenges.”*

Integrating Philanthropy Into the Investment Landscape

Yet, philanthropy has far more resources available to it than just the cash donated. We have previously calculated the value of donations globally each year as \$550 billion.⁷ In this report, we conservatively estimate the value of assets held by the philanthropy sector at \$2.4 trillion, i.e., more than four times the value of donations. This includes the assets held in foundations' endowments and in Donor Advised Funds before grants are paid out. This makes the sector a significant asset owner: when compared to asset managers, the sector ranks in the top ten by assets under management.

In this report, we illustrate four approaches to investment that would unlock the sector's significant volume of assets to serve charitable purposes. At one end of the spectrum is negative screening, which excludes specific companies and industries from non-profits' investment portfolios, especially those that might be considered harmful to an organization's philanthropic mission. Through stewardship, non-profits engage with investee companies using well-known strategies, like active voting and shareholder resolutions, to urge them to tackle the issues that philanthropy's grantmaking seeks to address. Beyond this, non-profits can deploy their own investment capital in building solutions that the sector aims to realize through values — known as mission-aligned investing.

Yet, philanthropy is also small when compared to the wider capital markets, where global assets under management totaled \$112 trillion in 2021.⁸ We note that asset managers and asset owners increasingly present a natural ally for the philanthropic sector. Moreover, we argue that by strategically deploying its charitable assets, philanthropy can route further investment capital towards the causes it supports — thereby growing the impact of its own funds. We see five ways this can be done:

- **Seeding:** Providing capital to early-stage ventures that are not yet commercially viable but may one day become so.
- **Scaling:** Providing capital to grow established, commercial models into new locations or distinct client bases that present both challenges and an opportunity for impact.
- **Sustaining:** Accepting below-market returns on an ongoing basis to support models and platforms that will never be commercially viable.
- **Paying for Success:** Paying for positive outcomes (e.g., “success payments”) after investors finance the upfront costs of an impactful program.
- **Sharing Expertise:** Deploying the sector's convening power and accumulated expertise to broker partnerships with other stakeholders including public and private sectors.

⁷ Citi GPS, [Philanthropy and the Global Economy: Opportunities in a World of Transition](#), November 2021.

⁸ Statista, [“Value of Assets Under Management Worldwide in Selected Years From 2003 to 2021,”](#) accessed September 26, 2022.

Digital Asset Donors as a New Opportunity for Philanthropy

Making maximum use of the assets available to philanthropy is one way to increase impact, another is increasing the total receipts of the non-profit sector. One new way to increase receipts could be by accepting digital assets. As their value surged in 2021, giving in digital assets saw record growth, with some organizations reporting between a sixfold and twelvefold increase from a year earlier. Going forward, sustaining this level of giving may be at risk as the value of digital assets has declined.

However, we argue that if charities can successfully address the owners of digital assets, they could unlock a new donor base that varies significantly from existing donors. Where today's average donor is a woman in an advanced economy (usually the U.S.) who is over 35 years old and likely married, the average digital asset owner is young, male, and far more likely to live in Latin America.⁹ We note that if charities can address this group, which could present a significant challenge not least because the group has not historically engaged with charities in large numbers, this would unlock a novel donor base and, by extension, a new revenue stream for non-profits across the world. At least in the short term, this opportunity seems to be particularly acute for charities in the education, environment, and animal welfare spaces — all of which have so far attracted a higher share of digital asset donations.

Yet, this is the tip of the iceberg: Digital asset giving stands to change the practice of philanthropy in the widest possible sense — from reducing the requirement for trust between donors and recipients to increasing the transparency of charitable giving. While these features might also contribute to growth in the stock of philanthropy, especially by tackling declining trust in charities, the merits and challenges of this new practice of philanthropy require careful consideration. We suggest that some innovations in so-called “crypto-philanthropy” may threaten the privacy of individual beneficiaries and facilitate the accumulation of yet more power among donors. Each of these considerations must be carefully weighed against the possibility of unlocking additional donations.

In sum, as storm clouds gather on the horizon of philanthropic giving, the non-profit sector must innovate — as it has done many times before — if it is to continue serving its beneficiaries. In the following chapters, after illustrating the state of philanthropy in 2021 and its outlook for the near future, we build upon the ideas outlined in this introduction. We hope this report opens up discussion of ways that philanthropy could look to innovate, far beyond those that we describe, as the sector and its beneficiaries both try to weather this latest storm.

⁹ Citi GPS, [Philanthropy and the Global Economy: Opportunities in a World of Transition](#), November 2021.

Philanthropic Giving in 2021

In the 2021 Citi GPS [Philanthropy and the Global Economy](#), we found that the narrow value of philanthropy to the global economy — including only donations and the value of time donated — was just under 3% of global GDP based on pre-pandemic data. We also saw that the bulk of monetary giving comes from the U.S. and that donors are more likely to be female, married, and over the age of 35.¹⁰ In 2021, much of this remained constant. For example, charitable giving in the U.S. — the most philanthropic economy — was roughly flat with previous years after accounting for inflation, though this marked a decline in giving relative to GDP as the national economy rebounded.¹¹ The causes supported by charitable giving also remained similar in 2021, though emergency and disaster relief moved up the agenda in some countries. In the report that follows, we unpack these themes to consider three key headlines:

1. It seems more likely that **pandemic-era giving practices**, like trust-based philanthropy or increased collaboration between funders, will persist rather than the increased value of donations as a share of GDP seen during the pandemic.
2. **Inflation and worries about the economy** have already started to impact individual giving and this trend may persist in 2022 if these issues are not resolved. At the same time, **demand for charitable services will increase** as vulnerable communities struggle with these issues.
3. **Giving to emergency and disaster relief** in some countries grew in 2021 and has likely grown further in 2022 on the back of **giving in response to the conflict in Ukraine**.

Pandemic Reset in Giving Expectations Only Partially Delivers on Its Promises

Prosocial attitudes increased globally in 2021, but the picture of charitable receipts is mixed

Since our last report in November 2021, global data show that during the pandemic charitable sentiment and prosocial attitudes increased around the world. The 2022 *World Happiness Report* found that acts of donating, volunteering, and helping strangers increased in 2021 across every region, with the global average of these three metrics up almost 25% in 2021 compared with pre-pandemic levels.¹² However, while the increase in prosocial attitudes during the pandemic was global, the increase in charitable receipts was not.

In some countries, prosocial attitudes translated into higher charitable receipts. For example, Giving USA data show in 2020 that charitable giving in the U.S. grew to 2.3% of GDP, a combination of a 9.4% rise in absolute total giving and declining GDP.¹³

¹⁰ Citi GPS, [Philanthropy and the Global Economy: Opportunities in a World of Transition](#), November 2021.

¹¹ Giving USA Foundation, *Giving USA: The Annual Report on Philanthropy for the Year 2021*, Chicago, 2022. Figures may vary due to rounding.

¹² John Helliwell et al., eds. *World Happiness Report 2022*, Sustainable Development Solutions Network, 2022

¹³ Giving USA Foundation, *Giving USA: The Annual Report on Philanthropy for the Year 2021*, Chicago, 2022. Figures may vary due to rounding.

In 2021, when adjusted for inflation, charitable giving only gave back some of the gains seen in 2020, declining just 0.7%. Data from New Zealand show report charitable receipts of NZ\$21.2 billion (\$12.2bn) in 2020/21, compared with NZ\$19.6 billion the year before.¹⁴

In other countries, charitable receipts did not increase with the uptick in prosocial attitudes. A report on Indian philanthropy showed that the COVID-19 pandemic did not catalyze private giving in the country: Indian family philanthropy — donations from high and ultra-high net worth individuals — declined between 2015 and 2021 as a percentage of total giving. In that report, Ingrid Srinath of the Centre for Social Impact and Philanthropy credited economic volatility and a lack of information on where to give during the pandemic as two factors contributing to reduced levels of overall donations.¹⁵ In Canada, predictions released in 2022 expect that charitable giving declined during the pandemic to the lowest level since 2009, i.e., since the Global Financial Crisis (see Figure 1).¹⁶

Figure 1. Donations in Canada Declined in 2020 and 2021 Due to the Impact of the Pandemic



Source: Canada Giving Report (2022)

Trends of increased giving that started in some places in the first year of the pandemic did not always persist into 2021

The global picture of giving in 2021 is again complicated. In Canada, charitable giving continued to decline as shown in Figure 1. Among countries that saw an increase in philanthropic giving during the pandemic, some reported these elevated levels continued in 2021, while in other countries, giving fell back to pre-pandemic levels, at least among individuals. On the upside, the U.S. built on its record giving year in 2020 with absolute gains in giving in 2021, with inflation-adjusted figures slipping just 0.7% compared with the previous year.¹⁷ Similarly, an annual report on French giving found that donations rose by 4.5% in 2021, building on an exceptional year in 2020 and outstripping inflation.¹⁸ Germany also reported a record year with donations in 2021 growing by 7% to €5.8 billion (\$5.7bn), which again outpaced inflation.¹⁹

¹⁴ Charities Services, *2020/2021 Annual Review*, 2021; Charities Services, *2019/2020 Annual Review*, 2020.

¹⁵ Dasra and Bain & Company, *India Philanthropy Report 2022: Building Philanthropic Infrastructure to Accelerate Giving in India*, March 2022.

¹⁶ CanadaHelps, *The Giving Report 2022: Giving at a Crossroads*, 2022.

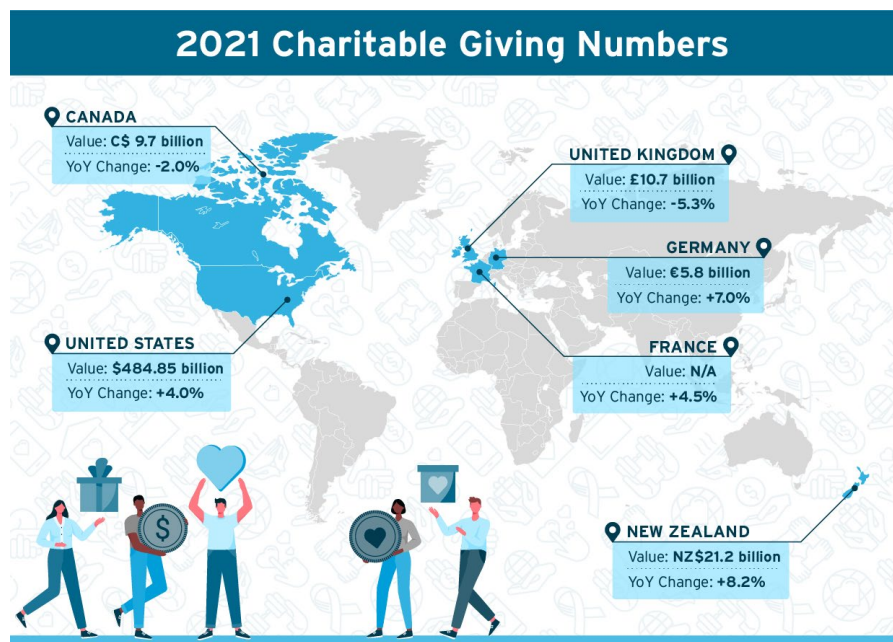
¹⁷ Giving USA Foundation, *Giving USA: The Annual Report on Philanthropy for the Year 2021*, Chicago, 2022.

¹⁸ France générosités, "[Barometer of Generosity 2021 – France générosités – May 2022](#)," (French language), May 30, 2022.

¹⁹ German Donations Council and GfK, "[Balance of Help 2022](#)," (German language), March 3, 2022.

However, when comparing these headline figures to GDP, the narrative is reversed. Total giving in the U.S. reached 2.3% of GDP in 2020, driven in part by the resilience of individual giving but also by declines in U.S. nominal GDP of 2.2%.²⁰ In 2021, while total giving in absolute terms proved resilient, total giving as a share of GDP fell back to pre-pandemic levels of 2.1%, as the U.S. economy rebounded and GDP rose 10.1% for the year (Figure 2).²¹

Figure 2. Selected Countries: Post-COVID-19 Charitable Giving (2021)



Source: Citi Research

For some countries that saw an increase in giving during the pandemic, individual charitable giving fell in 2021 not only relative to GDP but also in absolute terms. In the U.K., the absolute value of public donations to charity declined from a 2020 high of £11.3 billion (\$12.3bn) to £10.7 billion in 2021 according to research by the Charities Aid Foundation.²² This is close to the 2019 figure in absolute terms; however, adjusted for inflation, this figure is below pre-pandemic norms. It is key to note the estimate for the U.K. is for individual giving, not total charitable receipts. Other estimates, like those for the U.S., are more comprehensive and include giving by corporates and foundations.

²⁰ Giving USA Foundation, *Giving USA: The Annual Report on Philanthropy for the Year 2021*, Chicago, 2022. Figures may vary due to rounding.

²¹ Ibid.

²² Charities Aid Foundation, *UK Giving Report 2022*, 2022.

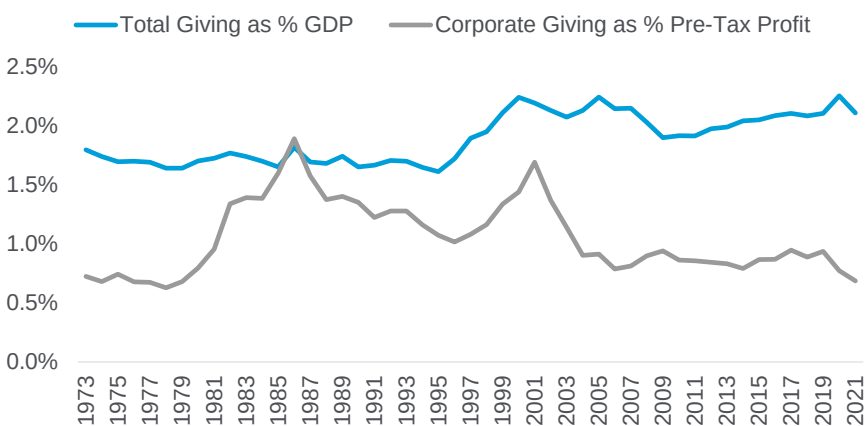
Corporate giving rebounded in 2021, but not as far as pre-tax profits

Corporate giving rebounded in 2021, but not as far as corporate profits

Data from Sweden illustrates the importance of separating individual giving and total giving: a report on Swedish philanthropy noted that while public giving helped to stabilize total charitable receipts in 2020, corporate philanthropy rebounded in 2021 to offset declines in individual giving.²³ Similarly, unpacking the surface-level stability of U.S. donations in 2021 shows the significant role played by corporate giving: Giving USA research shows that adjusted for inflation, corporate giving increased by 18.3% in 2021, while giving from individuals was almost flat at 0.2%. Therefore, while total inflation-adjusted giving in the U.S. was flat last year, corporate giving played a significant role in stabilizing the headline figure.

However, we should not be too celebratory. While total corporate giving in current dollars grew by almost 24% in 2021, as a share of corporate pre-tax profits it fell from 0.9% in 2019 to just 0.7% in 2021 (see Figure 3).²⁴ Indeed, as a share of pre-tax profits, corporate giving was higher in 2020. Corporates certainly gave more in 2021 but as a share of the resources available to them, the amount given actually fell.

Figure 3. U.S.: Total Giving as a Share of GDP and Corporate Giving as a Share of Pre-Tax Profit



Source: Giving USA 2022

Of course, data from 2021 does not tell a complete post-pandemic story: the pandemic continued to affect many countries for the majority of 2021. Nonetheless, this illustrates that while the first year of the pandemic raised hopes of an upwards revision of giving expectations, this has not come to fruition — at least not for all types of donors in all countries. As we discuss below, increasing inflation and economic worries may further augment the funding challenges facing charities in coming years.

²³ Giva Sverige, [Giving in Numbers in 2021](#), (Swedish language), accessed September 16, 2022.

²⁴ Giving USA Foundation, *Giving USA: The Annual Report on Philanthropy for the Year 2021*, Chicago, 2022. Figures may vary due to rounding.

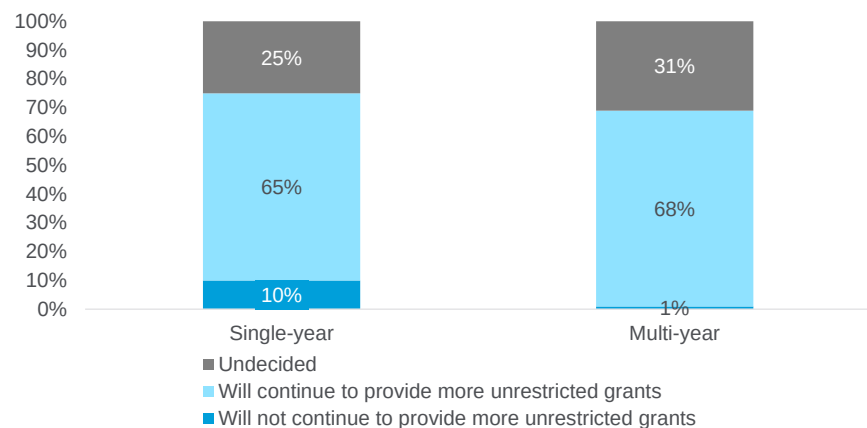
Pandemic-Era Giving Practices, Like Trust-Based Philanthropy, Seem More Likely to Continue

In institutional philanthropy, the pandemic also changed the way grants were made and there was some hope these changes would persist. In the 2021 Citi GPS *Philanthropy and the Global Economy* report, Shaady Salehi and Nick Tedesco of the Trust-Based Philanthropy Project and the National Center for Family Philanthropy, respectively, reported that the pandemic accelerated the adoption of “trust-based philanthropy.” This model of grantmaking aims to share the power historically held by foundations and donors with beneficiaries and others, i.e., by listening to the insights of those delivering programs and trusting them to determine where grant dollars are needed most. It remains to be seen whether this practice will persist beyond the pandemic.

The pandemic catalyzed the shift towards trust-based philanthropy, which may persist beyond 2021

Emerging data suggest that foundations do intend to continue with their new “trust-based” practices, following positive experiences on the part of both funders and recipients during the pandemic. According to a 2021 survey, more than 60% of foundation leaders reported that unrestricted grants made up a higher share of their gifts than before the COVID-19 pandemic and of those, 65% intended to continue with this higher level of unrestricted giving. Even more of those who offered a higher level of multi-year unrestricted funding during the pandemic intended to continue with this practice (see Figure 4).²⁵

Figure 4. Of Those Who Increased Unrestricted Giving During the Pandemic, the Majority Intend to Continue With These High Levels



Source: Center for Effective Philanthropy (2021)

Another element of trust-based philanthropy is simplifying the paperwork associated with a grant — from the initial application through to reporting requirements. Emerging data indicate the shift towards more streamlined paperwork is even more likely to persist. According to the same 2021 survey, just 1% of grant-makers planned not to continue with newly streamlined application processes and only 5% planned to revert to their previous reporting requirements.

²⁵ Ellie Buteau et al., *Foundations Respond to Crisis: Lasting Change?*, The Center for Effective Philanthropy, 2021.

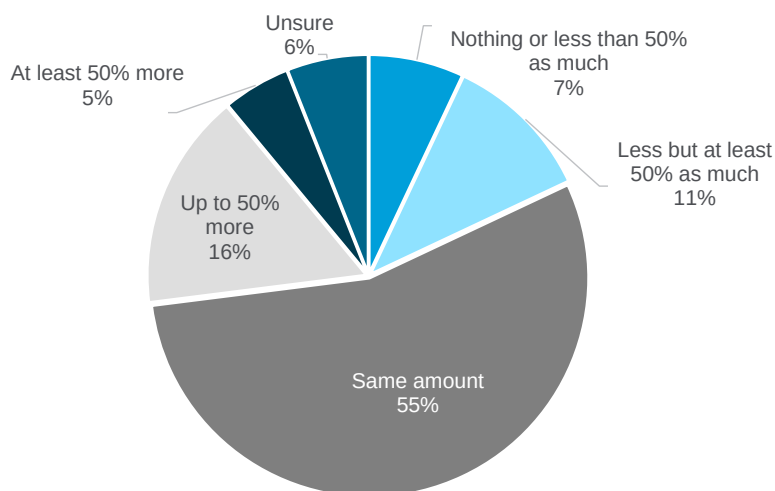
These early indications cannot fully predict the persistence of trust-based philanthropy beyond the pandemic. However, there are other reasons to think that they might continue. In conversation, Ellie Buteau of the Center for Effective Philanthropy noted that before the pandemic, there was an action gap: Attitudes towards trust-based giving were already changing in 2019, but this was not yet feeding through to giving practices. The pandemic began to close this action gap as organizations were forced to change their way of operating, for example by loosening restrictions on grants, and adopting simpler application and reporting processes. After many have had a positive experience with these trust-based practices during the pandemic, Ellie commented that organizations are asking themselves why they should go back to the previous ways of working, which were more costly and more time consuming, instead of continuing with their new, simpler systems.

Declining Donations Amid a Cost-of-Living Crisis

Non-profits face a triple squeeze as economic headwinds present a risk to charitable giving...

Declining donations by individuals as a share of GDP might continue in light of the current macroeconomic backdrop. Survey data are starting to sound the alarm here, too. A report on giving in Canada found that inflation was a significant headwind to charitable giving, with one in four saying they plan to give less in 2022 compared to 2021 and 17% citing the effects of inflation as a cause.²⁶ Similarly, according to a survey of the U.S. conducted in April 2022, 63% of donors said they planned to be more cautious with their giving this year, and 9% who said that they will not give again until the economy is back on track.²⁷ As Laura MacDonald, Immediate Past Chair of Giving USA Foundation notes in an interview, *"Inflation, market declines, and sluggish GDP may create headwinds for charitable giving — growth in giving has typically slowed in the face of such challenges."*

Figure 5. The Majority of Donors Plan to Give as Much in 2022 as in 2021, but This May Not Be Enough to Meet Increasing Levels of Demand



Note: Survey conducted in April 2022
Source: Dunham & Company (2022)

²⁶ CanadaHelps, *The Giving Report 2022: Giving at a Crossroads*, 2022.

²⁷ Dunham+Company, *Donor Confidence Falters in Light of Economy and Inflation*, June 2022; Dan Parks, "Donor Pessimism Grows as Economy Wobbles, Poll Finds," *The Chronicle of Philanthropy*, June 27, 2022.

Some may take reassurance from the fact that the majority (55%) of donors expect to give the same amount in 2022 as they did in 2021 (see Figure 5). Yet, as inflation begins to bite and charities are once again called upon to support vulnerable beneficiaries through another crisis, the same amount of donations will not be enough. Charities will need more funding both to manage the impact of inflation on their existing operations and to meet increased demand.

Philanthropy Will Be Called Upon to Address Another Crisis

...at the same time as charities face increasing demand...

The U.K.-based think-tank New Philanthropy Capital (NPC) has described the cost of living crisis as “as big a crisis as COVID-19, possibly bigger.”²⁸ Like COVID-19, this crisis is also global in scope: one report from the United Nations estimates that in developing countries alone, increases in energy and food prices could push 71 million into poverty.²⁹ In a poll of 11 developed countries conducted in April 2022, a third of people thought their living standard would decline over the coming year.³⁰ Indeed, charities already see an impact on individuals’ ability to access basic supplies: in the U.K., In Kind Direct, a charity which routes donated consumer goods to those in need, found that 84% of the charities they work with were facing increased demand for their services.³¹ In the U.S., Feeding America reported that 65% of food banks in their network saw increased demand for food assistance in June 2022 compared with the previous month.³²

This indicates additional strain on charitable services that were already stretched from supporting the pandemic recovery. More than half of charities in the U.K. still reported elevated demand in October 2021 compared with March 2020 (Figure 6). Importantly, elevated demand is affecting not only health charities, but charities across the board. Likewise, a broad cross-section of civil society will likely see demand increase, not only those providing essential goods.³³ As Matt Whittaker, CEO of Pro Bono Economics, noted in his interview featured further in this report: “[charities] working on housing and homelessness, on skills and employment, and on mental health” will also face further increases in demand because of economic factors.

²⁸ Angela Kail et al., “,” New Philanthropy Capital (NPC), July 11, 2022.

²⁹ UN Development Programme, *Addressing the Cost-of-Living Crisis in Developing Countries: Poverty and Vulnerability Projections and Policy Responses*, July 2022.

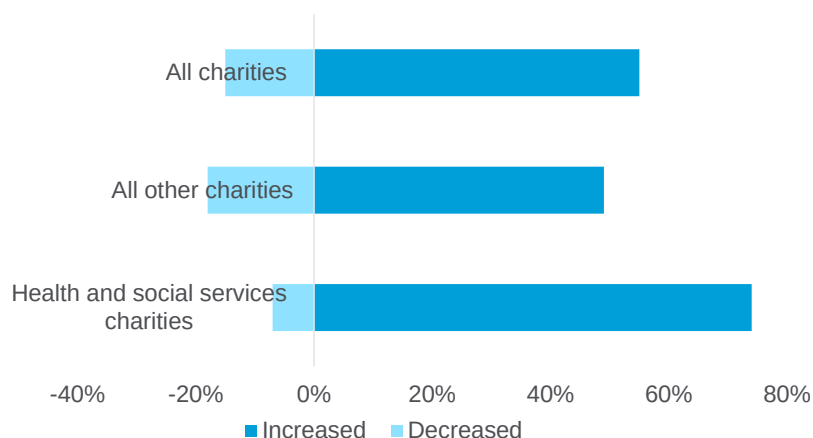
³⁰ Based on data from Kate Whiting, “Cost of Living Crisis: 1 in 4 People in the Developed World Are Struggling, Poll Shows,” World Economic Forum, May 10, 2022. The 11 countries included in the poll were: the U.S., Germany, Australia, Canada, Great Britain, France, Spain, Japan, Poland, Italy and Turkey.

³¹ NPC, “[The Cost of Living Crisis: Q&A with Chance Changing Lives and In Kind Direct](#),” July 21, 2022.

³² Feeding America, “[Feeding America Asks for Support Amid Rising Food Need](#),” August 5, 2022.

³³ Matt Whittaker, *A Tunnel at the End of the Light: Charities and the Cost-of-Living Crisis*, Pro Bono Economics, March 2022.

Figure 6. Charities Report Elevated Demand Throughout 2021



Note: Survey carried out October 18-24, 2021.

Source: Pro Bono Economics

...and rising operating costs

Unfortunately, charities are not insulated from rising costs: like everyone else, charities will find their income does not buy them as much as it once did. The cost of staffing non-profit organizations is one example: Pro Bono Economics estimated in March 2022 that for staff salaries to keep pace with inflation, the U.K. non-profit sector would need to raise an additional £2 billion.³⁴ With the rate of inflation (and future expectations) having increased further since then, this figure will only rise. The impact on staffing the non-profit sector is already becoming clear. Analysis by the Chartered Institute of Personnel and Development (CIPD) found the voluntary sector was one of the top three sectors struggling with recruitment, with 53% of charities reporting “hard-to-fill” vacancies versus 47% of all employers.³⁵ Beyond staff costs, one charity supporting homeless and vulnerable people in the U.K. noted in an interview published by NPC that they had appointed a volunteer specifically to source “food bargains” as the increasing cost of food (combined with lower levels of public donation) saw them struggle to keep their shelves stocked.³⁶

This crisis is a triple squeeze for charities: In the face of increased demand, charities face higher costs and higher risks that their funding will decline. In light of this, NPC has put out a call to philanthropists to give more and to give quickly: “We need the kind of mobilization among funders that we saw at the start of the pandemic, yet right now we’re not seeing this. Now is not the time to watch and wait. Destitute people can’t wait. So for philanthropists, it’s time to get on and give.”³⁷

³⁴ Ibid.

³⁵ Chartered Institute of Personnel and Development (CIPD), *Labour Market Outlook: Summer 2022*, August 2022.

³⁶ NPC, “[The Cost of Living Crisis: Q&A with Chance Changing Lives and In Kind Direct](#),” July 21, 2022.

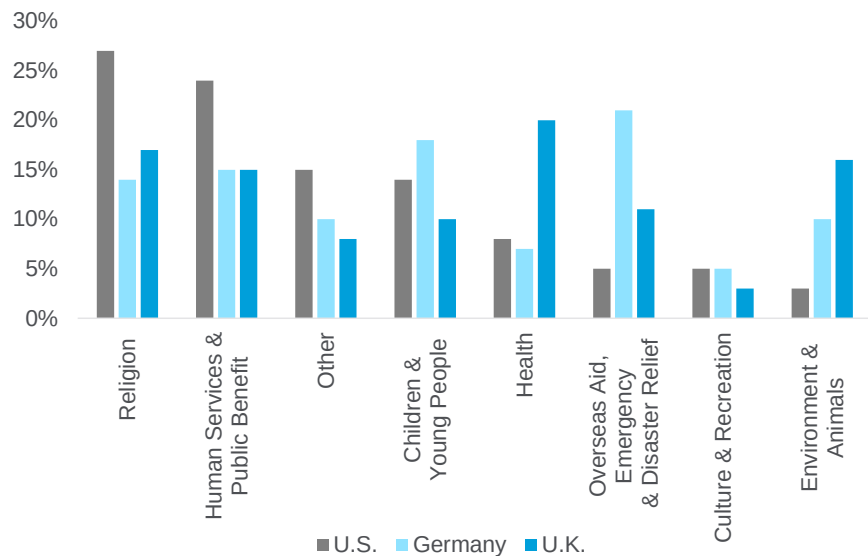
³⁷ Angela Kail et al., “The Next Big Challenge,” NPC, July 11, 2022.

2021 saw a shift in charitable giving towards supporting disaster and emergency relief charities

Increasingly giving to disaster and emergency relief in 2021

The causes that charitable giving supported were generally stable in 2021. As in previous years, a significant portion of charitable funds in 2021 went to religious causes across the U.K. and Germany, while in the U.S. this was still the leading cause. Health and education were also significant causes across the same three countries with giving to health, including medical research, hospitals, and hospices, the leading cause in the U.K. (see Figure 7). This distribution of causes does not move quickly — the shift away from giving to religious organizations has evolved over decades.

Figure 7. Geographic Distinctions in Causes Supported Persisted



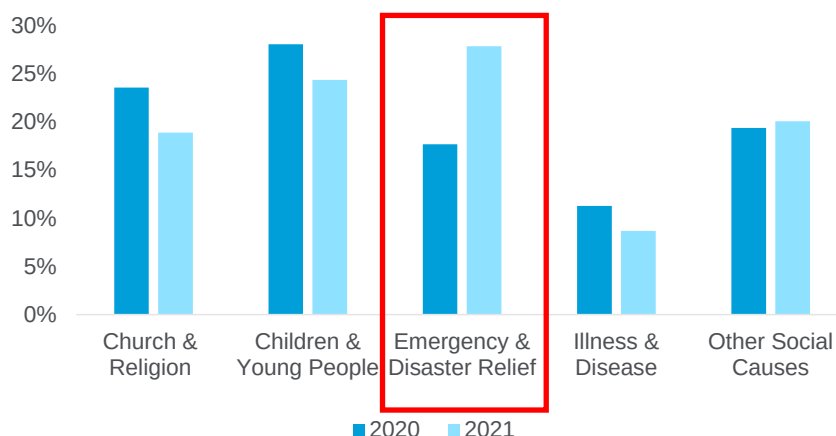
Source: Giving USA, CAF (2022), UK Giving, Spendenrat (2022)

The categories under which charitable giving is reported are often very broad and could mask the reallocation of funds between more fine-grained causes. However, some country-level reports called attention to an increase in giving to emergencies and disaster relief in 2021: a report on German giving recorded an increase of ten percentage points in the share of funds going to emergencies and disaster relief (see Figure 8).³⁸ Likewise, data from India suggest an increase in giving to disaster relief, which overtook healthcare as the second leading cause for giving among ultra-high net worth individuals in 2021, despite remaining some way behind education-related causes.³⁹ It is likely pandemic-related giving catalyzed this growth, but in light of the charitable outpouring in response to the conflict in Ukraine, disaster-related giving may grow further in 2022.

³⁸ German Donations Council and GfK, "[Balance of Help 2022](#)," (German language), March 3, 2022.

³⁹ Dasra and Bain & Company, *India Philanthropy Report 2022: Building Philanthropic Infrastructure to Accelerate Giving in India*, March 2022.

Figure 8. Increase in Charitable Giving to Emergency and Disaster Relief Causes in Germany



Source: Spendenrat (2022)

Conflict in Ukraine a Significant Catalyst for Global Giving in 2022

The emergence of conflict in Ukraine brought an outpouring of philanthropic giving in 2022, including innovative mechanisms of philanthropy

The conflict in Ukraine prompted an immediate outpouring of support from all corners of society: foundations, corporations, and individuals responded to the immense humanitarian need emerging in Eastern Europe. As of September 26, 2022, more than 1,470 grants were made in response to the crisis in Ukraine, totaling more than \$1.4 billion. A further \$767 million had been pledged.⁴⁰ This figure is not the true total: it does not account for smaller donations made by the many individuals globally. This could be a significant addition. For example, donations from the general public in the U.K. were record-breaking: the response from the British public to the Disaster Emergency Committee Ukraine Appeal set a world record for the most money donated to an online campaign in a single week.⁴¹ The appeal raised more than £60 million between March 3rd and March 10th in 2022.

Calculating the true total is challenging. One reason is that individuals found innovative ways of getting donations to Ukrainian people. In conversation, Keith Kibirango of Crown Agents, a U.K.-based international development non-profit, noted that in response to this crisis, philanthropy came in many different forms, including online donations, matched giving programs, and many other activities that initially may not seem to be, but were clearly philanthropic in their goals. One example is individuals who booked rooms via Airbnb with no intention of travelling that location. Instead, the purpose was to donate to individual Ukrainians.

⁴⁰ Candid, "[Philanthropic Response to the War in Ukraine](#)," accessed September 20, 2022.

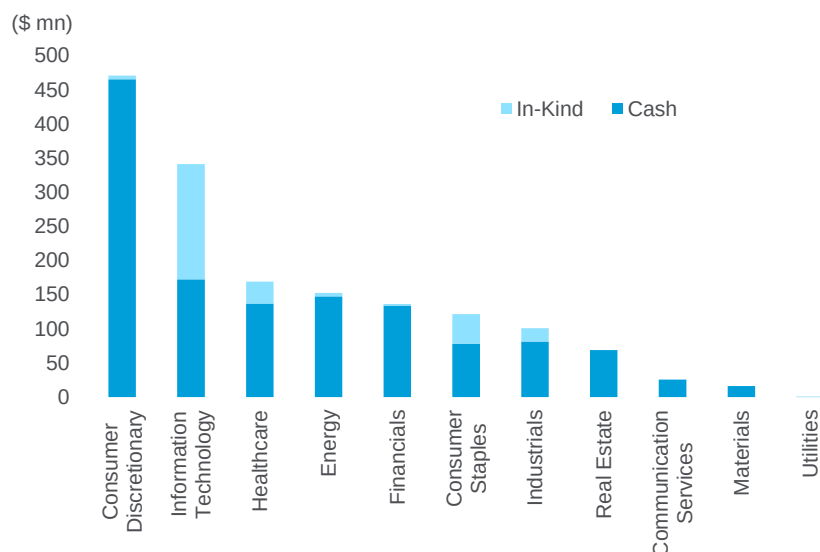
⁴¹ Melanie May, "UK Public's Response to DEC Ukraine Appeal Sets Guinness World Record," UK Fundraising, May 11, 2022.

The corporate sector played a significant role in meeting the philanthropic needs of Ukraine

This was not niche: In March, Airbnb CEO Brian Chesky tweeted that in 48 hours more than 61,000 rooms had been booked, raising \$1.9 million.⁴² While some have criticized this mode of philanthropy, noting that it may not be effectively targeted since it reaches only (relatively) affluent Ukrainians, innovative ways of giving such as this make estimating the value donated in response to the crisis more difficult.⁴³

Building on the rebound in corporate giving in 2021, the private sector — including businesses, corporate foundations, and individuals whose wealth is linked to business — made a significant contribution to philanthropic giving in response to the conflict. Data from the UN Office for the Coordination of Humanitarian Affairs shows that donations and pledges from the private sector to Ukraine totaled \$1.6 billion by September 20, 2022.⁴⁴ Two sectors led the charge: consumer discretionary, where significant donors include the IKEA Foundation and Epic Games, and information technology, where donors included Microsoft and Meta. Combined, these two sectors accounted for just over 50% of private-sector donations. While most sectors primarily gave cash, the IT sector made significant gifts of products and services (see Figure 9).

Figure 9. Private Sector Donations to Ukraine Primarily Came From Consumer and IT Sectors



Source: UN OCHA (2022)

Private sector donations illustrate the geographical footprint of giving in response to the crisis: the three countries with the highest value of donations as of August 2022, the U.S., Japan, and the Netherlands, span three continents (see Figure 10). This geographic spread is also likely reflected in individual giving. Kibirango told us, “*never before had so much of the world given to a single country.*”

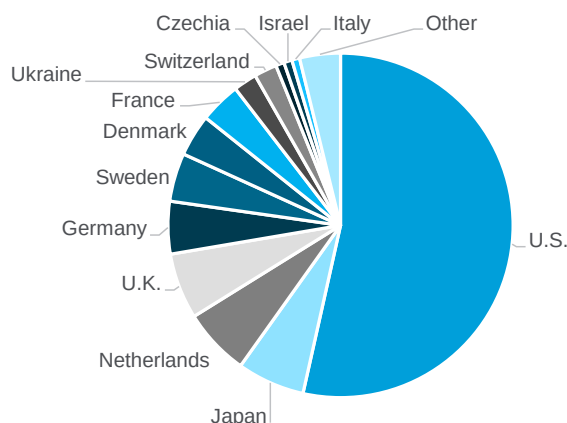
⁴² Suzanne Rowan Kelleher, “Why People Are Booking Airbnbs in Ukraine When They Have No Plans to Go,” *Forbes*, March 5, 2022.

⁴³ Muizz Akhtar, “Is Booking Airbnbs Really the Best Way to Help Ukrainians?” *Vox*, March 14, 2022.

⁴⁴ UN Office for the Coordination of Humanitarian Affairs, “[Ukraine Private Sector Donations Tracker](#),” accessed September 20, 2022. This figure is higher than the headline figure from Candid because it includes both grants and pledges.

Yet, he noted that this shift in the attention of global philanthropy towards the crisis in Eastern Europe highlighted the lack of philanthropic funding directed towards similar crises in other parts of the world.

Figure 10. Private Sector Donation Volume to Ukraine, by Country



Source: UN OCHA (2022)

Yet, some charitable causes have gone unfunded due to a shift in priorities

However, the outpouring of philanthropic support from all kinds of donors around the world is only part of the story: some non-profit organizations operating in Ukraine had donors withdraw their funding. One report notes that some projects, which had been funded but not yet implemented, have been delayed indefinitely; in other cases, donors proposed changing the focus of projects to address the needs of refugees and internally displaced people (IDPs). With the impact of the conflict, some charitable activities are no longer seen as priorities: one charity supporting the seriously ill noted that their cause was no longer a priority and they would not receive funds this year.⁴⁵ Although the onset of the conflict saw record levels of funding mobilized at speed, gaps remain and grants must continue to pivot in step with the needs of civil society in this, and every, region.

In sum, philanthropy is not yet returning to “business as usual” as the world continues to emerge from the pandemic. Instead, fresh crises continue to alter both the volume of donations and, more modestly, the causes they support. This reality is echoed and illustrated in two expert interviews we conducted with Matt Whittaker, CEO of Pro Bono Economics, and Laura MacDonald, Immediate Past Chair of Giving USA Foundation.

⁴⁵ Zagoriy Foundation, *Charity in Times of War*, June 6, 2022.

An Interview With Matt Whittaker, CEO at Pro Bono Economics



Matt Whittaker
CEO, Pro Bono Economics

Matt Whittaker is CEO at Pro Bono Economics (PBE), the charity set up by former Bank of England Chief Economist Andy Haldane to provide economic support to other charities across the U.K. He is also a founding member of the Law Family Commission on Civil Society, a two-year research and policy program run by PBE and chaired by Lord Gus O'Donnell that is designed to bring together experts from across the public, private and social sectors to help “unleash the potential” of civil society over the next decade. Prior to joining PBE, Matt spent 11 years at the Resolution Foundation economic think tank, serving as Chief Economist and Deputy CEO. He is a leading expert on the subject of income inequality and living standards, publishing extensively and making regular media contributions.

Q: It has been a year since we last spoke, what were the headlines in philanthropy over the past 12 months?

A: Unsurprisingly, the headlines for philanthropy have tracked the headlines in our newspapers. In five words: COVID, Ukraine, and climate change.

The cost of living crisis is putting enormous pressure on vulnerable households and driving up demand for the crucial support provided by charities. Packages of support announced by the U.K. government over the course of the year have been very welcome and will have no doubt somewhat eased the burden on charities. But with energy use rising as we enter the winter months, those on the lowest incomes are going to be pushed to the brink and will be turning to charities in ever-increasing numbers.

Meanwhile the war in Ukraine prompted a stunning outpouring of philanthropy from both the public and more institutional funders. What really stood out was the collaborative effort from charities involved in the emergency response, making it easy for the public to donate to trusted organizations. It was also a success for match funding, with the U.K. government's offer almost immediately being matched by the general public. And a number of celebrities took the same approach to galvanize giving from their own followers. The response also provided a good case study in the difference between financial and goods-based philanthropy. Donations of physical goods and food quickly ran into challenges, and the emphasis on instead prioritizing financial contributions was more marked than is often the case when global catastrophes strike.

Turning to the much more established crisis of climate change, it was noticeable that *The Sunday Times*/CAF Giving List this year was dominated by new environmental funders. It's clear that climate change and related causes have captured the imagination of a new generation of wealthy philanthropists. It's also been a neat demonstration of the importance of philanthropy to provide long-term financing at a time when government funding is distracted or complicated.

But it's worth noting what hasn't been a headline for philanthropy over the last 12 months. This time last year, there was a lot of hope that there might be a change in how philanthropy funds charitable interventions led by people from black and minority ethnic backgrounds. That work has stagnated, and funds focused on diversity have been massively oversubscribed by charities. That's a big opportunity missed.

Q: Last year, we talked about the impact of the pandemic on charities; a fresh crisis now looms. How are charities responding to the cost-of-living crisis? What more can philanthropy do to help?

A: The cost of living crisis is putting enormous pressure on vulnerable households and driving up demand for the crucial support provided by charities. The package of support announced by the U.K. government in the spring of 2022 was very welcome and will have no doubt somewhat eased the burden on charities. But, with the energy price cap set to rise significantly in October, those on the lowest incomes are going to be pushed to the brink and will be turning to charities in ever-increasing numbers.

The cost of living squeeze will hit the most vulnerable and lowest income households the most, as a larger share of their expenditure is on essentials — including energy bills, transport, and food — leaving little room for cutting back on spending. Combined with an erosion of wages, a relatively low level of accumulated savings, and a real cut in benefits (which will only rise by 3%) we are likely to see more people in poverty and seeking support from charities.

As with the pandemic, there is room for philanthropy to help the sector in this crisis. The response of foundations and trusts during the pandemic bodes well for the future, with increasing numbers recognizing the merit of providing more flexible and more timely support. Practices shifted in response to COVID-19, but there is an increasing sense that new approaches are here to stay.

The huge outpouring of voluntary effort and donations we've again seen in response to the crisis in Ukraine reinforces the notion that people respond when called upon to do so. It may be tough to revisit this particular source of benevolence too often during a cost of living squeeze that will affect so many families, but the repeated willingness of the British public to pull together in difficult times should give cause for comfort.

And finally, we can draw some optimism from the reality that, despite everything, there is money out there. The pandemic prompted an increase in savings for very large numbers of households. In aggregate, U.K. households were holding an estimated £224 billion (\$243.9bn) more in savings at the start of 2022 than they would have done in the absence of the pandemic. That's equivalent to roughly £3,400 per person.

Q: Some think that storm clouds are gathering on the horizon for philanthropic giving. What is the economic outlook for charities in the next 12 months?

A: It's quite possible that the sector is facing a triple crunch in the coming months.

In the first instance, demand for charity help is set to rise as we navigate our way through the cost of living crisis. Charities that provide support with financial difficulties and debt will of course be affected, but so too will those working on housing and homelessness, on skills and employment, and on mental health. Many are already reporting a significant pick up in need.

But rising demand is crashing into rising costs which make it hard for many in the sector to merely stand still. Staff — the largest single element of charity expenditure — will inevitably want to see their pay keep at least partial pace with inflation. Yet protecting all wages in real terms would cost the U.K. sector somewhere in the region of £2 billion.

But even that might not be enough to attract and retain the talent needed to deal with increased demand for charity support — especially when many in the sector are already facing burnout after two years of running hot in response to the pressures of the pandemic. There is a real risk that charities will face a talent drain in the coming period as an increasing number of individuals may choose to exit the sector in pursuit of higher rewards and lower stress.

Meeting increased demand amid rising costs will be made harder still if philanthropic giving drops in response to the difficult economic backdrop. We've seen in the past that the general public is good at looking through short-term economic downturns, continuing to give to charity as long as they personally feel confident about their future prospects. The extreme pressure associated with rising costs, and the universality of their impact, means that the current context may well prove more problematic for giving. At the very least — even if direct donations hold up — a broader drop in the volume of consumption among the public will translate into reduced spending in charity shops and at charity events.

Despite the seemingly gloomy outlook, however, there is some comfort to be found in the sector's ability to always find a way. It is in the nature of social sector organizations and those who work in them to respond rapidly to changed circumstances, finding nimble and opportunistic ways to continue to make a difference. The experience of the pandemic provides very clear evidence of this.

Q: How, if at all, do you see donations of digital assets, like cryptocurrencies and non-fungible tokens (NFTs), reshaping the philanthropic landscape?

A: There have been some small, isolated efforts towards embracing crypto and NFTs — including from non-usual suspects like the Edinburgh Dog and Cat Home. It's an exciting thing to debate because it's new, innovative and exciting.

However, the charity sector is not well placed to embrace crypto-philanthropy. Almost half of charities have a digital skills gap among their employees, and this is even wider at the trustee level. The age and risk aversion, which we see affecting all sorts of elements of the charity sector, will absolutely act as a brake. Ask most fundraisers about what they're doing to grow digital fundraising and they're more likely to tell you that they're having to fix some badly leaking plumbing — trying to convince their boards to use Facebook, trying to get their CRM to talk to their email distribution lists, or even just trying to move people from donating via check to donating via direct debit.

In a world in which both the value of donations and the proportion of the population donating is falling, it's right that new options are explored. But it's also important that resources are used in the most efficient way possible. The amount of investment required to get crypto-philanthropy right is significant. The largest known cryptocurrency donation in the U.K. so far was worth £87,000. For the vast majority of charities and foundations, getting crypto-ready isn't going to be a cost-effective use of limited cash.

Fundraisers will also follow where their donors are. There are a small proportion of individuals who will make their wealth through crypto and decide to become philanthropists as a result. But, by and large, if sufficient numbers of their donors aren't using crypto, charities won't either.

Additionally, there are some inherently challenging elements of crypto-philanthropy that stand at odds to the charity sector. It is vital that charities understand where the money being donated to them comes from. Fulfilling that due diligence requirement is very challenging when that money comes via cryptocurrency. The environmental impact NFTs and cryptocurrencies have is also at odds to many charities' values: we saw that with WWF-UK (World Wildlife Fund UK) and the rapid retreat it had to make when it launched its own range of NFTs. Its fingers were badly burned, and many other charities will have taken note of that.

An Interview With Laura MacDonald, Immediate Past Chair, Giving USA Foundation



Laura MacDonald

Principal & Founder, Benefactor Group
Immediate Past Chair, Giving USA
Foundation

Laura MacDonald has served the non-profit sector over her 30+ year career as a fundraising practitioner. She is the Immediate Past Chair of the Giving USA Foundation and a contributor to the Giving USA: The Annual Report on Philanthropy as well as Principal and Founder of Benefactor Group. Her articles on advancement and philanthropy have appeared in *Advancing Philanthropy*, *Non-Profit Quarterly*, and other professional publications.

Q: It has been a year since we last spoke, what were the headlines in philanthropy over the last 12 months?

A: There have been a handful of themes in philanthropic news in the U.S. this past year. In 2021, strong growth in GDP and equity markets fueled growth in giving. But, that growth didn't keep pace with inflation and — in the case of corporate giving — didn't even keep up with the growth in corporate pre-tax profits. Sectors that were hit hard by the disruptions of 2020 came back, especially arts, culture, and humanities where giving grew by 27%. It also appears that donors who were inspired to support social and racial justice in 2020 continued their giving in 2021.⁴⁶

We've entered 2022 with a different environment for giving. Inflation, market declines, and sluggish GDP may create headwinds for charitable giving — growth in giving has typically slowed in the face of such challenges. Donors from everyday households are particularly vulnerable as their disposable personal income is eaten away by inflation. High-net worth households are better prepared to weather these times which is both a boon (they're more likely to repeat last year's \$10,000 gift) and a bust (they're unlikely to increase to \$10,800 to maintain the buying power of the gift.)

MacKenzie Scott continued to garner headlines for her giving — both good (\$12.8 billion given so far) and critical (her giving seems to be increasingly opaque). Her preference for "trust-based" giving seems to have influenced other donors.

As America faces bitter mid-term elections and controversial policies around reproductive rights and gun rights, there's been a resurgence of "rage donations." These rose to prominence during and after the divisive 2016 presidential election and are likely to ramp up toward the next presidential election cycle in 2023-24. Groups that advocate for gun reform and abortion access are two of the most dramatic examples as donors seek to channel momentary fury into longer-lasting positive action.

In the U.S., donors (especially foundations) have grappled with the realization of funding patterns that have disadvantaged leaders of color and organizations that support primarily Black, Latino, indigenous, and others. Steps have been taken to raise awareness and focus more resources to rectify this.

⁴⁶ Giving USA Foundation, *Giving USA: The Annual Report on Philanthropy for the Year 2021*, Chicago, 2022. Researched and written by the Indiana University Lilly Family School of Philanthropy. Published by the Giving USA Foundation, a public service initiative of the Giving Institute.

Finally, online giving saw additional gains on top of the dramatic growth in 2020. Prior to the pandemic, many thought that growth in online giving had reached a plateau. Then “work from home” begat “give from home” and donors who turned from mail or events to online giving during the pandemic are maintaining that practice.

Q: Last year, we talked about the shrinking donor base and the challenges this poses. Does the surrounding economic context and increased donor caution risk continue this trend? How do we democratize philanthropic giving in our present economic context?

A: Yes, charitable giving continues to be more and more concentrated among the top donors. The current inflationary environment will likely exacerbate this trend, as everyday households are more likely to feel the pinch of declining personal income. Furthermore, fundraising departments continue to focus their efforts on major gift programs that shower attention upon relatively few large donors, while those who give modestly receive generic appeals and batch-printed acknowledgements. Some argue that the non-profit sector is pursuing the most cost-effective strategy, yet there's also a fear that they are limiting the number of future prospects for large gifts.

Some organizations saw an influx of new, modest donors in response to the pandemic (i.e., foodbanks) or polarizing social and political episodes (such as gifts for gun reform or abortion access). Non-profits have an opportunity to turn these spontaneous expressions into long-term relationships if they devote sufficient resources to acknowledging these donors and nurturing a relationship.

We can also acknowledge all of the ways that neighbors show generosity to their neighbors: Contributions of time, talent, and testimony have intrinsic value and often are a precursor to financial contributions.

Q: What is needed to strengthen and encourage generosity in the U.S.? The Generosity Commission was launched almost a year ago — what has the Commission learned in its first year?

A: Early research from the Generosity Commission provided insights into the behaviors of American donors — especially their response to the challenges of 2020. A study commissioned from Stanford University helped us understand that generosity is broader and more inclusive than charitable giving: *“In a country where giving is normatively associated with donating to charity, fewer than 20% of participant responses about how they take action to make the world a better place mentioned giving money.”*⁴⁷ We can build on that knowledge to celebrate all forms of generosity, which occur across demographic and socio-economic sectors.

I am especially keen to hear the findings of an upcoming study from the Do Good Institute at the University of Maryland. They are exploring how social connectedness may affect giving, volunteering, and other kinds of civic engagement — and perhaps provide strategies to strengthen connections between non-profits and their stakeholders, which could provide social and financial benefits.

⁴⁷ Lucy Bernholz, PhD, and Brigitte Pawliw-Fry, *How We Give Now: Conversations Across the United States*, Stanford Center of Philanthropy and Civil Society, research conducted for the Generosity Commission, 2020.

Q: How do you see the donation of digital assets like cryptocurrencies and non-fungible tokens (NFTs) and the technologies that underlie them reshaping the landscape of philanthropy?

A: The most promising trend is the demographic profile of those who are donating digital assets. They tend to be younger and male — an elusive target for most donor acquisition strategies. And at an average gift of \$10,000, they set a high standard. A surprising percentage of crypto and NFT investors are still unaware that they can use these assets for charitable giving (or that they are subject to capital gains taxes), so non-profits have some work to do to educate them about the tax advantages and social impact that can be realized by giving digital assets.

At Benefactor Group, we encourage our clients to treat gifts of crypto the way they would volatile shares of stock; that is, sell immediately upon receipt. They can raise awareness by providing clear “how to give digital currencies” on all their platforms, and perhaps providing a digital wallet (such as BitPay or Coinbase) or gift processor (like Every.org or Engiven) to accept these gifts.

Q: What is the relationship between philanthropy and investment? Are there any examples of organizations leveraging the full spectrum of philanthropic capital to great effect?

A: There are several ways to answer this question. First, charitable giving is linked to the performance of investment portfolios. When the market is strong, donors’ assets and foundations’ portfolios grow, which typically leads to an increase of charitable giving. When markets weaken, the impact on foundation giving is diminished because most foundations look at performance over a three-year average. Individual donors, however, can become cautious because they feel less wealthy.

Non-profit organizations with endowments or significant reserves typically invest them according to a board-approved policy. They must achieve a balance: maximizing returns to bolster the confidence of new donors to the endowment, while minimizing risk that could alienate donors. Some describe the approach as “investing for a perpetual 18-year-old.”

Finally, some donors view their support of non-profits as a philanthropic investment, rather than a charitable gift. Some donors measure their return on investment (ROI) by the impact achieved. This is taken to the ultimate by the Effective Altruism movement, which champions gifts that “do the most good” as they define it (usually by “lives saved”), eschewing philanthropy that merely enriches life — like arts or education.

Others use program-related investments and impact investments to provide support via low-interest loans (debt) or equity. Community foundations may be the organizations that are utilizing the full spectrum to the greatest effect. For example, the community foundation in Columbus, Ohio, USA has set aside \$5 million for revolving loans to emerging woman- and minority-owned business that might not have access to traditional bank loans and they’ve invited other community donors/investors to join them.

The Role of Philanthropy in the Investment Landscape

While philanthropy and investment have a long history, the two are viewed as unconnected and distinct, unrelated pursuits. This may be the result of a myth that impact investing does not deliver financial returns — or at least not at market rates; hence, impact investing has historically had to define itself outside of philanthropy. This has required resisting the overlaps and potential for collaboration between the two. We understand impact investing is a subset of investing — namely, investing that aims to deliver a positive social impact alongside positive financial returns or, as it is sometimes called, double bottom line returns. Yet, with the field of impact investing now better established after achieving a market size of \$2.3 trillion in 2020, the time is right to reconsider how philanthropy and investment can collaborate to unlock significant impact.⁴⁸

In the 2021 Citi GPS report [Philanthropy and the Global Economy](#), we estimated the narrow value of philanthropy to the global economy at just under 3% of GDP. In this report, we argue that greater integration between philanthropy and investment could further increase the contribution of philanthropy to the global economy in two ways:

1. First, philanthropy can reflect on its own investment practices: the non-profit sector holds significant assets and can grow its impact by **leveraging the full set of tools available to it in order to deploy more of its assets** in support of philanthropic aims.
2. Second, philanthropy can engage with other actors in the investment landscape: by sharing its **expertise**, using its **convening power**, and **investing strategically to catalyze private sector investment**.

Delineating investment and philanthropy

Defining investment and philanthropy as distinct pools of capital

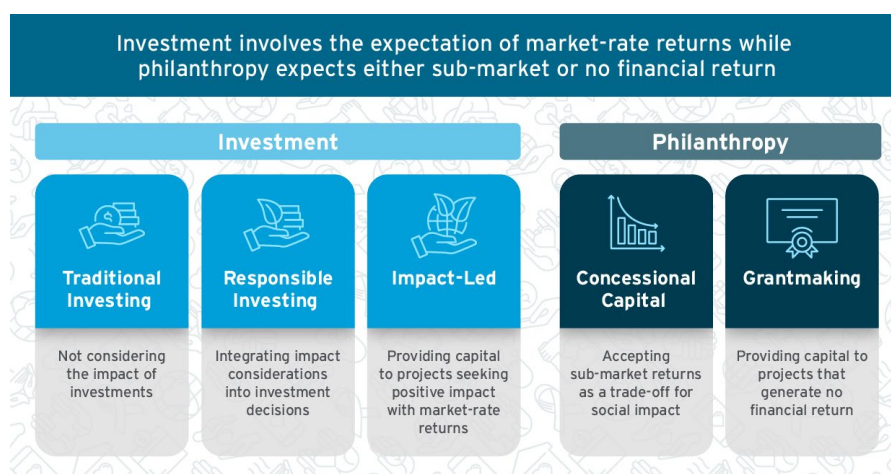
Before we turn to these arguments, we first need to clarify some definitions. There is a spectrum of capital between philanthropy and investment. We understand investment as the provision of capital with an expectation of a market-rate return and consideration of risk. Within this, we consider impact investment as the movement for investors to include positive impact in their decision-making processes, alongside the well-established dimensions of risk and return.⁴⁹ By contrast, we understand philanthropy as the provision of funding without the expectation of market-rate returns and including the expectation of no financial return. Philanthropy includes not only traditional grantmaking, which provides capital to projects that generate no financial return, but also recoverable grants and concessional capital that deliver below market-rate financial returns alongside significant positive impact (see Figure 11).

⁴⁸ Ariane Volk, *Investing for Impact: The Global Impact Investing Market 2020*, International Finance Corporation (IFC), 2021.

⁴⁹ Scholarship underlying this definition includes: James Perry, "Social Impact Is Not Impact Investment, Let's Finally Be Clear On What We Mean," *Philanthropy Impact Magazine*, Issue 22, Summer 2019; Maximilian Martin, *Making Impact Investible*, Impact Economy Working Papers, Vol. 4, 2013.

These definitions are not universally agreed. For example, the Global Impact Investing Network (GIIN) includes investors focusing on capital preservation or seeking sub-market rates of return in its taxonomy of impact investors.⁵⁰ However, a 2019 report by Tideline notes that the primary providers of sub-market rate capital have so far been philanthropic, including family offices, foundations, and public development finance organizations.⁵¹ Further, the most recent GIIN survey shows a majority of impact investors target market-rate returns, with just 15% accepting returns that are closer to capital preservation, while the largest pools of capital, including pension funds and insurance companies, reported requiring market-rate returns.⁵² The delineation of investment and philanthropy set out in Figure 11 is practical for our context because it allows philanthropists to use both their investment activities and their philanthropic activities towards the same ends without asking them to sacrifice financial returns.

Figure 11. Investment Involves the Expectation of Market-Rate Returns While Philanthropy Expects Either Sub-Market or No Financial Return



Source: Citi GPS

As we have described previously, the philanthropic sector is made up of many different players — from individuals making small donations to corporates and foundations taking a more institutional approach to philanthropy. Throughout this chapter, we use the term “philanthropist” to refer to either an institution or an individual. So far, only foundations have deployed many of the strategies to bring together philanthropy and investment. However, there is a significant opportunity for affluent donors to take similar actions in aligning their philanthropic and investment aims. Hence, we describe an opportunity for “philanthropists,” both institutional and individual.

⁵⁰ Global Impact Investing Network (GIIN), *Annual Impact Investor Survey 2020*, June 2020.

⁵¹ Tideline, *Catalytic Capital: Unlocking More Investment and Impact*, March 2019.

⁵² GIIN, *Annual Impact Investor Survey 2020*, June 2020.

Different philanthropists have adopted different views on the relationship between grantmaking and investing

Investment Practices in Philanthropy

In general, philanthropists have a common aim of maximizing their impact on the causes they support. However, different philanthropists have adopted different investment strategies in response: Some consider that since investment returns provide the funds for future grantmaking, maximizing impact requires maximizing returns on investments. Others consider that maximum impact involves accelerating giving to disburse all of a philanthropist's assets. For example, the U.K.-based independent foundation Thirty Percy recently announced a new investment policy to distribute all the foundation's assets.⁵³ Interest in the latter strategy may be growing: a recent survey found an increase in the share of organizations established with a time-limited strategy, i.e., with the intention to distribute all their assets rather than maintain an endowment in perpetuity.⁵⁴

As the investment landscape has developed, an alternative has emerged in which investments are leveraged in support of a philanthropist's aims, while also delivering market-rate returns to fund future grantmaking. As the chair of the board at Greater Share notes in the case study that follows, there is increasing demand for products that bring together investment and donations, showing the worlds of investment and philanthropy have been moving closer together. This presents an underexplored opportunity for philanthropy to play a central role in addressing the challenges of the 21st century.

⁵³ Thirty Percy, "[New Investment Policy](#)," July 13, 2022.

⁵⁴ Rockefeller Philanthropic Advisors, *Global Trends and Strategic Time Horizons in Philanthropy 2022*, 2022.

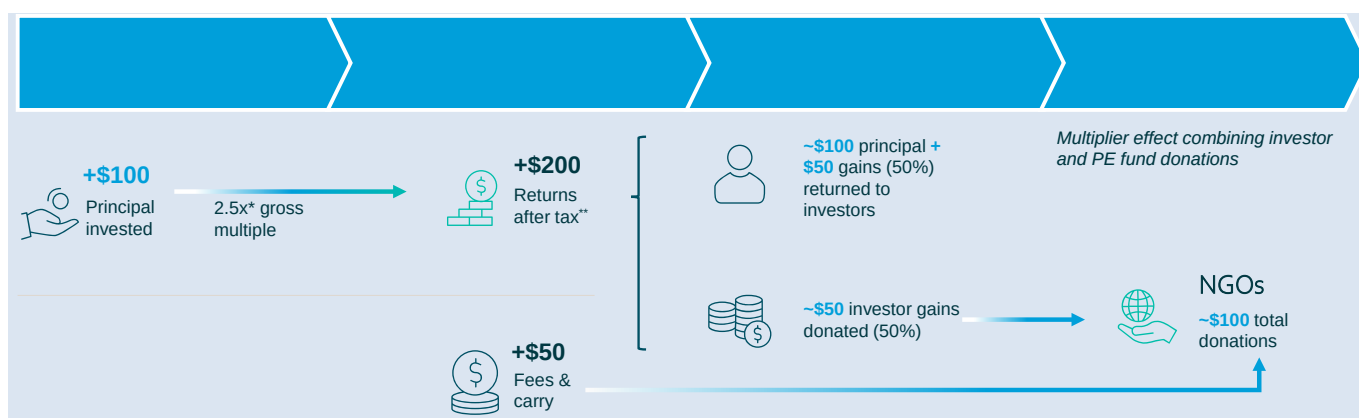
Case Study: Greater Share



Greater Share is one organization bringing together the worlds of investment and philanthropy to drive impact. It describes its initiative, the Greater Share Education Fund, as an “innovative philanthropic model harnessing the expertise of some of the world’s top-performing PE funds and some of the highest-impact NGOs to drive systemic impact in children’s education across the globe.”

The initiative allows affluent individuals to gain access to leading private equity funds including those at Bain Capital, Cinven, Hg Capital, Nautic Partners, and Permira, in exchange for donating at least half of their investment returns to eight high-impact non-governmental organizations (NGOs) curated through a rigorous selection process led by Greater Share’s specialists. Investors choose to donate across all eight or to a subset based on their interests. Furthermore, all participating private equity funds have agreed to match investor’s capital with the donation of their fees, creating a multiplier effect on donations.

Figure 12. Assuming a 2.5x Gross Multiple, Every \$100 Invested Generates \$150 in Returns for Investors and \$100 in Donations to the Curated Group of NGOs



* Past performance does not indicate future performance. There can be no assurance that comparable results to any past performance presented herein will be achieved or that it will be possible to achieve the investment strategy or achieve the investment objectives. ** In this example, the capital gains tax is 20%, and the tax relief on donation is 25%. Source: Greater Share

This initiative grows the stock of philanthropy flowing to high-impact charities as well as serving affluent potential donors by providing access to a hybrid investment-philanthropic product. Paul Fletcher, Chair of the Board at Greater Share, notes that he sees increasing demand for this kind of product that combines gains and donations. In conversation, he commented that Greater Share’s new model allows potential investors to understand how to give effectively and evaluate donation opportunities.

But the Greater Share model is not all about unlocking funding, it also builds a community among the NGOs, investors, and private equity funds involved. Fletcher commented that the NGOs selected to participate are now connected and learning from one another. The eight NGOs are: aeioTU in Latin America; CAMFED in sub-Saharan Africa; Kaivalya Education Foundation in India; KIPP and the National Institute for Student Success in the U.S.; London Early Years Foundation and West London Zone in the U.K.; and Teach for All, which operates globally.

The next step will be the involvement and collaboration of the private equity firms with the community surrounding the initiative.

Combined philanthropic assets rival the largest asset managers globally

At an estimated \$2.4 trillion, the funds available to philanthropy globally are more than four times greater than the value of donations each year

Each year we estimate around \$550 billion is donated to charities globally.⁵⁵ While this is significant, the non-profit sector has even more assets at its disposal. A 2018 report conservatively estimated global foundation assets at \$1.5 trillion.⁵⁶ By mid-2022, foundation assets in the U.S. alone stood at \$1.3 trillion.⁵⁷ If assets held by foundations globally have grown at the same rate as those held by U.S. foundations since 2018, global foundation assets would total \$2.2 trillion.

This is again a conservative estimate: Other jurisdictions are much earlier in their journey to formalizing high net worth giving than the U.S. and might have seen more significant growth since 2018. For example, China currently has under 10,000 foundations, significantly less than the 97,500 based in the U.S. One recent study observes that as wealthy Chinese donors develop their philanthropic model, they prefer professionally managed philanthropy.⁵⁸ This compounds the fact that the initial estimate of \$1.5 trillion held in foundation assets in 2018 is a conservative estimate because it includes neither all countries, nor all foundations in the countries that are included.⁵⁹

The funds held in Donor Advised Funds (DAFs), funds to which donors make charitable contributions and receive immediate tax benefits while recommending grants from the fund in the future, might also be considered available for philanthropic aims before grants are made. These funds have grown quickly in the last decade and in 2020, assets held in DAFs in the U.S. (where they are most common) totaled \$160 billion (Figure 13). Moreover, these funds continue to grow as annual inflows surpass the value of grants recommended each year: According to the most recent data from the National Philanthropic Trust, contributions to DAFs totaled \$48 billion in 2020, while grants paid out were just \$35 billion.⁶⁰ Additional assets, beyond those held in DAFs and foundation endowments, might also be deployed in support of philanthropic aims. For example, affluent donors who give a significant amount to charitable causes outside of DAFs and foundations also often have a significant investment portfolio that could pivot to align with their charitable aims.

⁵⁵ We generate our \$550 billion estimates by combining industry data for individual giving, foundation giving, and corporate giving from the following sources: Charities Aid Foundation, *Gross Domestic Philanthropy*, 2016; Paula Johnson, *Global Philanthropy Report: Perspectives on the Global Foundation Sector*, Harvard Kennedy School, 2018; Giving USA Foundation, *Giving USA: The Annual Report on Philanthropy for the Year 2021*, Chicago, 2022; World Bank data.

⁵⁶ Paula Johnson, *Global Philanthropy Report: Perspectives on the Foundation Sector*, Harvard Kennedy School, 2018.

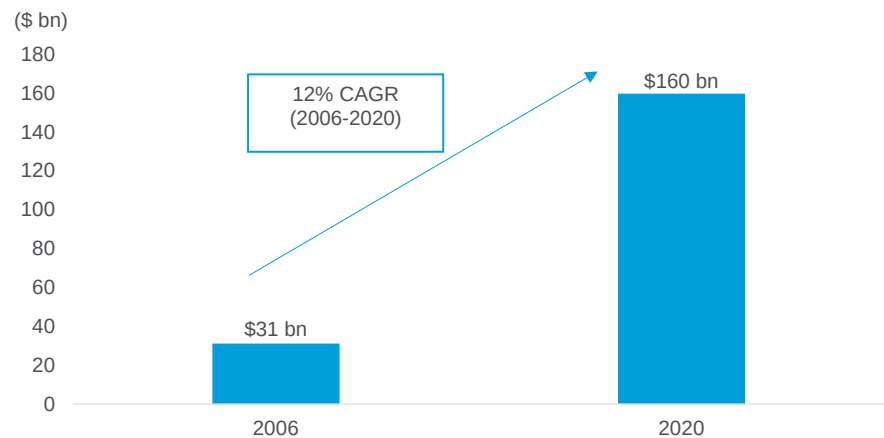
⁵⁷ Board of Governors of the Federal Reserve System (U.S.). The parallel figure for U.S. assets in 2018 was \$890 billion per the Johnson (2018) report.

⁵⁸ Liz Longley, "Rising Tide: Tracking the Emerging Philanthropy of China's Ultra-Wealthy," *Inside Philanthropy*, June 9, 2021.

⁵⁹ Paula Johnson, *Global Philanthropy Report: Perspectives on the Foundation Sector*, Harvard Kennedy School, 2018.

⁶⁰ National Philanthropic Trust, *The 2021 DAF Report*, 2021.

Figure 13. Value of Assets Held in Donor Advised Funds in the U.S.

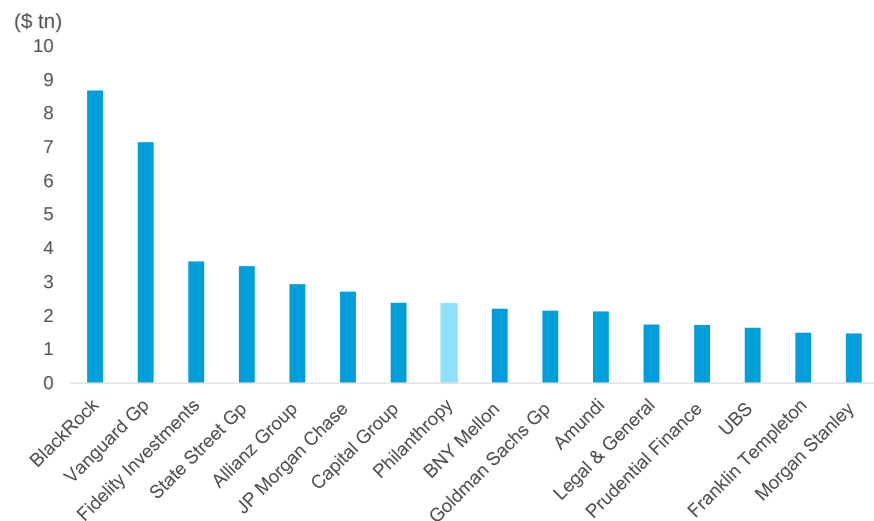


Source: Department of Treasury (2011) and National Philanthropic Trust (2021)

Compared with asset managers, philanthropy ranks within the top 10 largest by assets under management

Even using this conservative and incomplete estimate of assets held in DAFs, the non-profit sector looks comparable with the largest asset managers. Figure 14 shows that total assets held by foundations and DAFs place them in the top 10 asset managers globally, ranked by assets under management. Of course, philanthropy does not operate as a collective and its assets are highly fragmented: The 2018 estimate of the value of foundation assets noted that these assets were dispersed between more than 150,000 foundations across 23 jurisdictions. Further, different philanthropic actors prioritize different issues and take different approaches to addressing them. It would be naive to think that all these assets could be routed towards a single cause. Indeed, this pluralism of approaches is one of the merits of philanthropy. Yet, this quantitative sketch illustrates that the investment assets held by philanthropy are significant and, if they could be mobilized in service of their owners' philanthropic aims, the impact could be significant.

Figure 14. Assets Held by Foundations Rank Against the Top 10 Asset Managers Globally



Source: Thinking Ahead Institute (2021), Johnson (2018), St Louis FRED (2022)

Despite the comparison above, philanthropy is not an asset manager: Foundations are asset owners and the asset managers noted in Figure 14 as relevant comparisons likely manage some of the assets owned by foundations. Moreover, Fidelity Investments and Vanguard Group are both significant providers of DAFs. Some of the assets underlying Figure 14 therefore would be “double-counted” as they are both managed by some of the asset managers included here and owned by philanthropy as a sector. The Figure serves only to show the scale of the assets held by the philanthropic sector and hence the investment capital that could be mobilized in service of philanthropic ends.

Philanthropy's investments are often unrelated and sometimes harmful to their mission

On the whole, philanthropy's investment capital does not address the same impacts as its grantmaking

Impact investment remains a small portion of the non-profit sector's total investments: While there has been significant growth in the share of DAF assets dedicated to impact investing (Figure 15) this is still a small portion of the total assets held in these funds. Some key statistics illustrate this point.

- In 2021, data from Fidelity Charitable indicates that \$3 billion went to impact investment compared with \$10 billion in donations.⁶¹
- In a 2022 survey of U.S. art and design museums, only a third had dedicated any assets to impact investment.⁶²
- According to a 2018 report, less than 4% of foundations in select geographies employed loans, equity investments or impact investments in pursuit of philanthropic goals.⁶³
- In 2015, 83% of U.S.-based private foundations did not employ “negative screening” to exclude specific companies or industries from their investment portfolios.⁶⁴
- The global impact investment market in 2020 was estimated at \$2.3 trillion, around the value of the assets held by the philanthropic sector, and much of this has come from other market participants, including pension funds and insurance companies.⁶⁵

One partial explanation of the lack of overlap between charitable aims and investment practices may be the organizational structure of many non-profits. Finance officers, whose main function is traditional accounting and may have limited expertise in responsible investment practices, often manage investments. These teams are separate from the programming and grantmaking teams.

⁶¹ Fidelity Charitable, *Giving Report 2022*, 2022.

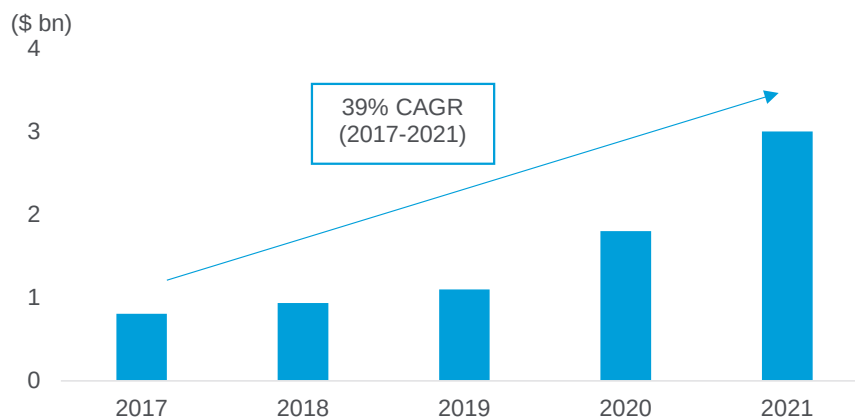
⁶² Upstart Co-Lab, *Cultural Capital: The State of Museums and Their Investing*, June 2022.

⁶³ Paula Johnson, *Global Philanthropy Report: Perspectives on the Foundation Sector*, Harvard Kennedy School, 2018. The 4% applies to foundations in 14 countries and Hong Kong, including the U.S. and Australia.

⁶⁴ The Center for Effective Philanthropy, *Investing and Social Impact: Practices of Private Foundations*, 2015.

⁶⁵ Ariane Volk, *Investing for Impact: The Global Impact Investing Market 2020*, IFC, 2021.

Figure 15. Value of Investments From Philanthropists in Impact Investment Funds Is Increasing



Source: Fidelity Charitable (2022)

In some cases, philanthropy's investment assets work explicitly against its charitable aims

In some cases, a philanthropist's investments work against their grantmaking. Concerns of this kind have recently faced those making grants to environmental organizations while investing in fossil fuels, where activists perceive a certain hypocrisy.⁶⁶ On this argument, alongside a missed opportunity to have a positive impact, philanthropists risk their investments actively harming their aims. DAFs have faced the related criticism that donations spend too long held as investments as opposed to making a positive impact if they were donated as grants.⁶⁷

Unlocking philanthropic assets for social impact

Philanthropy has a range of approaches to align its investment and charitable arms, including exclusions and stewardship

There are several ways that investments can be leveraged towards philanthropic aims while delivering market-rate returns. At one end of the spectrum (Figure 16) negative screening excludes specific industries and companies from investment portfolios if they are considered harmful to a philanthropist's aim. This will not unlock the assets held by philanthropy for specifically positive social impact, but it will remove the possibility that those assets hinder a philanthropist's aims.

Stewardship strategies are an alternative: Philanthropists can engage with the companies they invest in to draw attention to their philanthropic aims. While this has become common practice among ESG-conscious investors, philanthropists have a clear motivation and significant expertise with which to engage with investee companies meaningfully and authentically around their focus areas.⁶⁸ Dame Caroline Mason, the Chief Executive of the Esmée Fairbairn Foundation, has described how her organization is bringing its expertise from grantmaking into its investment management practices: *"we're looking at how we can bring our expertise from our grantmaking and our social investment in to working with our investment advisors to link those two things together. We are pushing our investment advisors and working well with them to take the knowledge and expertise that we have in certain areas into the way that they do their due diligence."*⁶⁹

⁶⁶ Haleluya Hadero, Associated Press, "Fossil-Fuel Divestment Gains Momentum in Philanthropy," *Chronicle of Philanthropy*, November 2, 2021.

⁶⁷ Stanford Law School Policy Lab on Donor Advised Funds, "Are Donor Advised Funds Good for Non-Profits?" *Stanford Social Innovation Review*, Fall 2020.

⁶⁸ ESG refers to environmental, social, and governance.

⁶⁹ Joseph Rowntree Foundation, "New Frontiers — Day 1 Session 3," YouTube, August 8, 2022. "A Finance Ecology" session filmed on July 14, 2022 at the New Frontiers in Funding, Philanthropy and Investment conference.

Figure 16. Philanthropists Can Shift Their Investment Practices to Consider Impact in Various Ways



Source: Citi GPS

Case Study: Nathan Cummings Foundation files a shareholder resolution with Walt Disney

The Nathan Cummings Foundation made a commitment to deploy 100% of its assets in mission-aligned investment in 2018.⁷⁰ In 2021, the Foundation filed a shareholder resolution with the Walt Disney Company to request a report assessing the company's diversity, equity, and inclusion efforts.⁷¹ Justice and equity are key values for the Foundation. Therefore, bringing a shareholder resolution to an investee company presented an opportunity to increase the impact of the foundation's grantmaking by bringing inclusion into the boardroom of an investee company.

Case Study: Oxfam files a shareholder resolution with Johnson & Johnson

Oxfam, a U.K.-based charity aiming to alleviate and eradicate poverty, published research in 2020 tracking corporate commitments on making the COVID-19 vaccines accessible when they came to market.⁷² Building on this research, they were the lead filer on a shareholder resolution filed for the 2021 Johnson & Johnson Annual General Meeting, which asked the Board of Directors to report on how financial support from governments would be considered when setting prices for vaccines and therapeutics for COVID-19.⁷³ In this case, a charity built on its own research to engage an investee company on its mission to alleviate poverty by encouraging them to consider access to medicines.

⁷⁰ Nathan Cummings Foundation, "[NCF Commits to 100 Percent](#)," March 12, 2018.

⁷¹ Principles for Responsible Investment (PRI), "[The Walt Disney Company: Assess Company Diversity and Inclusion Efforts at The Walt Disney Company](#)" PRI Resolution Database, accessed August 11, 2022.

⁷² Oxfam, *A Shot at Recovery: Measuring Corporate Commitments Towards a Free, Fair, and Accessible COVID-19 Vaccine*, Oxfam Media Briefing, April 22, 2021. An update of the original published in October 2020.

⁷³ PRI, "[Johnson & Johnson: Access to COVID-19 Products at JNJ](#)," PRI Resolution Database, accessed August 11, 2022.

The value of assets owned by philanthropy makes the sector influential in engaging with investee companies

The scale of philanthropy allows it a significant seat at the table when engaging with investee companies. As a result, philanthropy can echo the leadership of asset management companies by raising their voices to bring their key environmental and social issues concerns to the boardroom of the companies they engage with. For example, Larry Fink, CEO of BlackRock, writes an annual letter that notably raises the themes he considers critical to delivering long-term value for shareholders. His most recent letter noted the imperative for companies to meet a new generation of employees' expectations around flexibility at work, pay, equity, childcare, and mental health.⁷⁴ Given its scale, philanthropy could act with similar purpose as an asset owner on behalf of its beneficiaries. Further, by leveraging its investment assets this way, philanthropy has an opportunity to build a coalition with other investors around its priorities, generating further momentum for its causes.

Philanthropy is already aware of the role it can play in making underrepresented groups heard in policy debates where many charitable organizations seek to amplify the voice of their beneficiaries. In the U.K., more than 70 charities supported a letter calling on candidates for the leadership of the Conservative Party, i.e. candidates to be the next Prime Minister, to support low-income families facing a shortfall in income as a result of the cost of living crisis.⁷⁵ The same mechanisms, such as coordinated collective action among the sector, could be used to engage with investee companies.

More developed strategies for integrating philanthropy and investment mobilize additional capital for charitable causes

Beyond excluding particular sectors or engaging with companies on its priority issues, philanthropy can also deploy its investment capital to build solutions to the challenges facing the sector's beneficiaries. Strategies here can be broken down into two categories:

1. **Value-Aligned Investments:** Philanthropists might reflect on the values they prioritize in their grantmaking and bring these into their investment portfolios. For example, if diversity, equity, and inclusion are critical to a philanthropist, these values can be applied to decision-making about investments, i.e., investing in women- or minority-led businesses. Citi Private Bank's Global Head of Sustainable Investing, Harlin Singh, noted that one foundation considered the gender diversity of the fund managers it appointed rather than appointing a particular ESG strategy.
2. **Mission-Aligned Investments:** Philanthropists can advance their mission through their investment portfolio, alongside their grantmaking. For example, if a philanthropist is motivated to address climate change, a mission-aligned investment strategy might be backing companies building technologies for climate change mitigation or infrastructure funds rolling out access to clean energy. It is this category that taps into true impact investment.

⁷⁴ BlackRock, "[Larry Fink's 2022 Letter to CEOs: The Power of Capitalism](#)," accessed September 7, 2022.

⁷⁵ Joseph Rowntree Foundation, "[Rising Energy Prices Is a 'National Emergency' and More Support Needed to Tackle Gravest Issue UK Faces, Say Charities](#)," August 13, 2022.

Three key drivers stand to accelerate interest in philanthropy's investment practices

Attention is growing on the impact of endowments

As Karen Kardos, Citi Private Bank's Head of Philanthropic Advisory, and Harlin Singh discuss in an interview further in this report, unlocking philanthropic assets for positive social impact is already in progress. We think this will continue and accelerate, driven by three factors:

1. **Wealth will continue to be transferred to the millennial generation**, which is already more likely to leverage its assets for philanthropic aims. As Karen Kardos describes, along with women, *"younger generations are increasingly becoming the powerhouses of philanthropy, and they use their endowment and investments to drive change."* Generation Pledge, a community of inheritors, describes a "polycapital" approach, bringing together not just philanthropy and investments but also social and political influence. In conversation, Laura Callanan, Founding Partner at Upstart Co-Lab, noted that younger people and women are beginning to base decisions around donating to non-profits on whether the non-profits are fully living their values by hiring diverse fund managers to invest their endowments, and adopting impact investing strategies. Callanan noted this is likely to become significant in the arts and culture sector, which is lagging other non-profit sectors when it comes to impact investing. One compelling example is a recent donation by Lukas Walton's Builders Initiative to the Shedd Aquarium in Chicago, which increased with the Shedd's first foray into ESG investing.⁷⁶ As stewardship of funds passes to the next generation, they will leverage their investments for philanthropic aims. Building on this, Walton's investing and philanthropy platform announced in September 2022 that 90% of its \$1 billion endowment would be shifted to mission-related investments.⁷⁷
2. **Wealth will continue to flow towards women**, who are more likely to engage in impact investment alongside charitable giving. Women's wealth is growing quickly: The compound annual growth rate for women's wealth might reach 7.2% between 2019 and 2023, compared with 5.2% for men.⁷⁸ This presents an opportunity to further integrate investments and philanthropy: A 2018 report from the Women's Philanthropy Institute found that while women and men have similar rates of impact investing, women are more likely to impact invest as a complement to their charitable giving, while men replace charitable giving with impact investment.⁷⁹

⁷⁶ Shedd Aquarium, ["Shedd Aquarium and Builders Initiative Partner to Establish ESG-Driven Investments as Part of Centennial Commitment,"](#) May 23, 2022.

⁷⁷ Robert Frank, "Billionaire Lukas Walton's Family Office Accelerates Impact-Investing Push," CNBC, September 19, 2022.

⁷⁸ Citi GPS, ["Women Entrepreneurs: Catalyzing Growth, Innovation and Equality,"](#) March 2022.

⁷⁹ Women's Philanthropy Institute, *How Women and Men Approach Impact Investing*, Indiana University Lilly Family School of Philanthropy, May 2018.

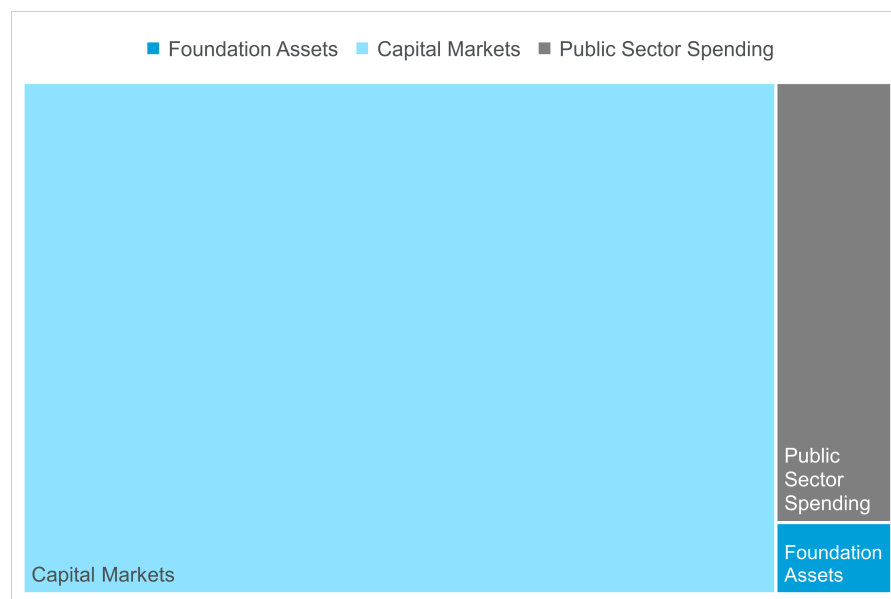
3. **Public interest in non-profits' investments is growing** and may bring greater pressure to pivot investments towards socially impactful strategies. In a 2022 report, Upstart Co-Lab noted the increased scrutiny of museums' sources of wealth and investment practices.⁸⁰ Similarly, in 2022, students at five U.S. colleges deployed legal strategies to challenge the investment practices of their colleges.⁸¹ As this public interest grows, philanthropy may need to scrutinize its investments in response, and one way will be to ensure that assets beyond their grantmaking funds are aligned with their values and mission.

Integrating Philanthropic Capital Into the Investment Landscape

Philanthropy is still small in comparison with the wider capital markets

While the assets available to philanthropy go far beyond the estimated \$550 billion given each year, Figure 17 illustrates that the sector still pales in comparison to both public sector funding and the wider capital markets — defined here as assets managed by a professional investment manager. Hence, while philanthropy might be able to significantly increase its impact by leveraging all its assets in support of its aims, moving the needle in capital markets is critical to addressing global challenges. Here again, the role of philanthropy has been underestimated.

Figure 17. Capital Markets Dwarf the Assets Held by Foundations



Source: Citi GPS (2021), World Bank (2019), BCG (2021)

⁸⁰ Upstart Co-Lab, *Cultural Capital: The State of Museums and Their Investing*, June 2022.

⁸¹ Chris McGreal, "Yale, Stanford and MIT's Fossil Fuel Investments Are Illegal, Students Say," *The Guardian*, February 16, 2022.

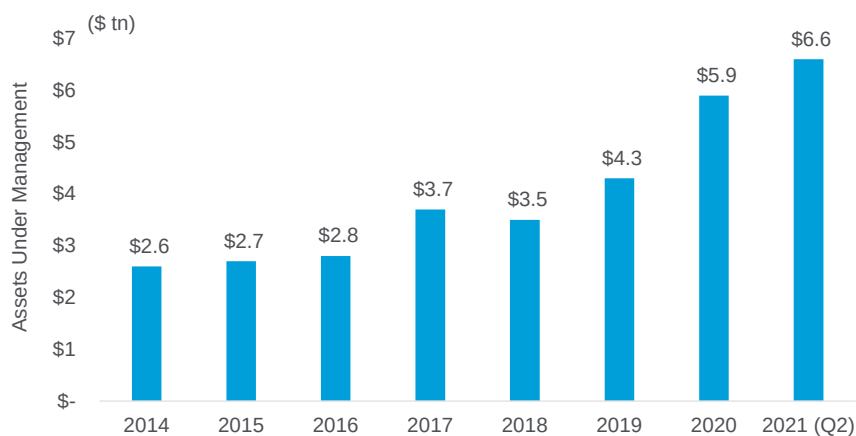
Certain elements of the investment landscape present a natural ally for philanthropy

Growing Impact Awareness Among Investors Makes Them a Natural Partner for Philanthropy

Indeed, philanthropy no longer needs to work alone in achieving the positive social impacts it has historically sought. Significant work has shown that certain socially impactful activities can also be made investable, i.e., they can generate positive financial returns for investors along with providing positive social impact. Moreover, investing for positive impact cannot only generate market-rate financial returns. Indeed, as we noted above, the vast majority of investors targeting positive social impacts target market-rate returns.⁸²

Moreover, there are significant funds flowing into ESG investment vehicles, which philanthropy can help to mobilize. Citi Business Advisory Services colleagues estimated that in the second quarter of 2021, global assets under management in ESG and Sustainability funds, i.e. funds that consider to some extent and in some dimensions the impact of their investments, topped \$6.6 trillion.⁸³ While this is small relative to the value of assets under management globally, which one estimate for 2021 puts at \$112 trillion,⁸⁴ Figure 18 shows the notable growth of these funds since 2014. While the value of funds flowing into impact investment is less easily measurable, data suggest significant growth here too. The Global Impact Investing Institute (GIIN) notes that its first annual survey in 2010 relied on data from just 24 member of the GIIN's Investors' Council; by 2020, this had increased to 300 and almost 70% of those respondents described the market as growing. Moreover, a report from Citi Research colleagues earlier this year described the growth of impact awareness beyond funds designated for impact investing.⁸⁵ While philanthropy has historically been the natural funder of positive social impact, it no longer needs to act alone — the capital markets increasingly provide a significant co-investor for many philanthropic causes.

Figure 18. Sustainable Investment Funds Topped \$6.6 Trillion in 2021



Source: Citi Business Advisory Services (2021)

⁸² GIIN, *Annual Impact Investor Survey 2020*, June 2020.

⁸³ Citi Business Advisory Services, *Industry Revolution 2021*, November 23, 2021.

⁸⁴ "Value of assets under management worldwide in selected years from 2003 to 2021" Statista. July 8, 2022.

⁸⁵ Citi GPS, *Investing for Outcomes: Why Impact Is Relevant Beyond Impact Investing*, April 2022.

The UN Sustainable Development Goals present one possible framework for engagement between investors and philanthropists

We can be more specific about the goals sustainable investment funds and philanthropy have in common. Citi has noted in previous Citi GPS reports that investors are beginning to align with the UN Sustainable Development Goals (SDGs), which are intended to provide a framework for all stakeholders to coordinate their response to the global challenges of the 21st century.⁸⁶ As such, some have understood the goals as also representing philanthropic aims: for example, Rockefeller Philanthropic Advisory noted that, taken together, meeting the SDGs would achieve the broader goals at which philanthropy aims.⁸⁷ In describing the goals on which investment and philanthropy can collaborate, the UN SDGs therefore present a possible framework.

However, while the SDGs can provide a framework for both philanthropy and investment, we should not minimize the distinct priorities of each pool of capital. For example, in a recent global investor sentiment survey, Citi Research colleagues found that climate change, the energy transition, and biodiversity were the top sustainability issues considered by investors. Moreover, impact investors specifically have so far focused on the energy transition and environmental causes.⁸⁸ By contrast, according to 2021 data from the U.S., just 3% of total donations, i.e., including foundations, bequests, individuals, and corporates, went to environmental and animal welfare causes.⁸⁹ The UN SDGs intersect with philanthropic aims, but the latter have historically been much broader. Hence, while the overall UN agenda might provide a framework for the integration of investment and philanthropy, careful thought is required about the priorities of each pool of capital in potential collaborations.

Crucially, this disconnect is surmountable. Impact investment can address many social sector priorities, beyond those articulated through the SDGs and beyond the energy and climate change focus that has preoccupied it so far. As Laura Callanan, Founding Partner at Upstart Co-Lab, put it, *“While impact investment cannot take on all the work of philanthropy, it is the right tool to support socially-focused revenue-generating efforts in the creative industries, education, health and beyond.”*

⁸⁶ Ibid; see also: Citi GPS, [UN Sustainable Development Goals: Pathways to Success – A Systematic Framework for Aligning Investments](#), June 2018, this report unpacks some of the ways investors have aligned with the goals.

⁸⁷ Rockefeller Philanthropy Advisors, *Philanthropy and the SDGs: Getting Started*, 2019.

⁸⁸ GIIN, *Annual Impact Investor Survey 2020*, June 2020.

⁸⁹ Giving USA Foundation, *Giving USA: The Annual Report on Philanthropy for the Year 2021*, Chicago, 2022.

An Interview With Dr Juvaria Jafri, Research Associate, Cambridge Judge Business School



Dr. Juvaria Jafri
Research Associate
Centre for Strategic Philanthropy
University of Cambridge Judge Business School

Dr. Juvaria Jafri is a political economist interested in the role of finance in development. She is based at the University of Cambridge Judge Business School and has previously held research and teaching positions at City, University of London, and at the University of Kassel.

Q: What is the relationship between philanthropy and emerging models like impact investment in a development context?

A: The emergence of new ways of philanthropic giving in a development context is a response to specific and unique needs of global growth markets, which are perhaps best captured by the SDG agenda, or the United Nations Sustainable Development Goals (SDGs) for 2030. The latest progress report notes that many of the biggest successes in this agenda — particularly around food and nutrition, health, education, the environment, and peace and security crises — could be reversed because of the spin-off effects of COVID-19, climate change, and conflicts.

To avert this, there is a crucial need for finance from a variety of sources. Importantly, there is a consensus among development organizations and practitioners that official development assistance or ODA is not enough. There is a massive investment gap that must be overcome before global growth markets can address the challenges of poverty, inequality, and climate change to attain the 17 SDGs.⁹⁰

Financial instruments that can mobilize investment in renewable energy and housing are particularly salient aspects of a contemporary development agenda. This approach is heavily backed by global institutions such as the World Bank and OECD (Organisation for Economic Co-operation and Development) that seek to maximize finance for development by engaging private capital, such as that from philanthropists.⁹¹

Q: But what role can philanthropy play in mobilizing funds for development in global growth markets?

A: While philanthropists and philanthropic foundations tend to be known for the programs they operate and support, the largest foundations are responsible for managing billions of dollars of assets. These assets generate financial revenues but are often invested so that the primary or secondary objective is non-financial, such as to support causes related to the SDGs. This means that while investments are expected to generate a financial return, for projects that have social and environment targets, foundations may provide debt or equity on non-commercial terms, for example, in the form of low-interest loans and loan guarantees to organizations in global growth markets.

⁹⁰ World Economic Forum and Organisation for Economic Co-operation and Development (OECD), *Blended Finance Vol. 1: A Primer for Development Finance and Philanthropic Funders*, September 2015.

⁹¹ World Bank, "[Maximizing Finance for Development](#)," accessed September 28, 2022; OECD, *Private Philanthropy for Development – Second Edition: Data for Action*, December 2021.

Such initiatives are carried out in collaboration with development finance institutions and offer guarantees to reduce risk for private finance. They can also create strong incentives for the private sector to invest in strategic sectors and thus supplement grants and development finance, and they can provide technical assistance to facilitate investment to plug finance gaps.

New instruments of philanthropic giving, such as blended finance and impact investment, offer an appealing set of tools but it is important nevertheless to question the win-win narrative that often surrounds emerging forms of philanthropy for development. For example, as pointed out by Convergence, while blended finance is highly aligned with goals such as Goal 8 (Decent Work and Economic Growth) and Goal 13 (Climate Action), it is less aligned with SDGs such as Goal 16 (Peace, Justice and Strong Institutions).

Some philanthropists contributed to the development of impact investing through their program-related investments

Foundations Already Dedicate Some of Their Charitable Assets to Investments

It merits noting that some foundations already use their charitable assets to make investments linked with their charitable purpose. These investments are known as program-related investments (PRIs). While such investments generate returns, the production of income cannot be their primary aim. Indeed, the returns generated are often below the market rate. As the GrantCraft guide sums it up: These are investments that an investor working only to maximize profits would not make on the same terms.⁹² As such, as Karen Kardos notes, these investments contribute to the pay-out requirements of private foundations in the U.S.

One report considers PRIs as old as philanthropy itself, noting that Benjamin Franklin left 2,000 pounds sterling as a revolving loan fund with charitable purposes.⁹³ Since then, PRIs have come to encompass a huge range of financial instruments across asset classes, including debt, equity, certificates of deposit, and loan guarantees. However, use of this tool has remained somewhat restricted: A 2017 report commented that PRIs remained just 1% of qualifying distributions in the 2000s and 2010s.⁹⁴ Yet, while the non-profit sector has not made full use of this tool, some credit innovations in PRIs are with sowing the early seeds of impact investment.⁹⁵

Philanthropy Mobilizes Investment Towards Opportunities for Impact

Strategically deployed, philanthropy can mobilize investment capital for causes it supports

Philanthropists can use investments made from their charitable assets to mobilize the funds flowing into sustainable and ESG funds, and — by helping these funds to flow towards their priority causes — can grow the impact of their philanthropy. This section describes the role that philanthropy can play in making opportunities investable or attracting investment capital to the causes supported by philanthropy. As Dame Caroline Mason, Chief Executive of the Esmée Fairbairn Foundation, has noted philanthropy's "*role is to show that these different types of financing mechanisms, that involve lots of different players, but are absolutely grounded in real environmental and social outcomes, can be investable.*"⁹⁶

There are different ways that philanthropy, i.e., grantmaking and sub-market rate investments, can mobilize capital seeking market rate returns. We present a taxonomy in Figure 19 that builds on one set out by Tidelive in their 2019 report "Catalytic Capital." This taxonomy need not be considered all encompassing. Indeed, one of the most exciting elements of the integration of philanthropy into the investment landscape is the possibility for continuous innovation and novel vehicles for collaboration.

⁹² Neil Carlson, *Program-Related Investing: Skills and Strategies for New PRI Funders*, GrantCraft, 2006.

⁹³ Ford Foundation, *Investing for Social Gain: Reflections on Two Decades of Program-Related Investments*, 1991.

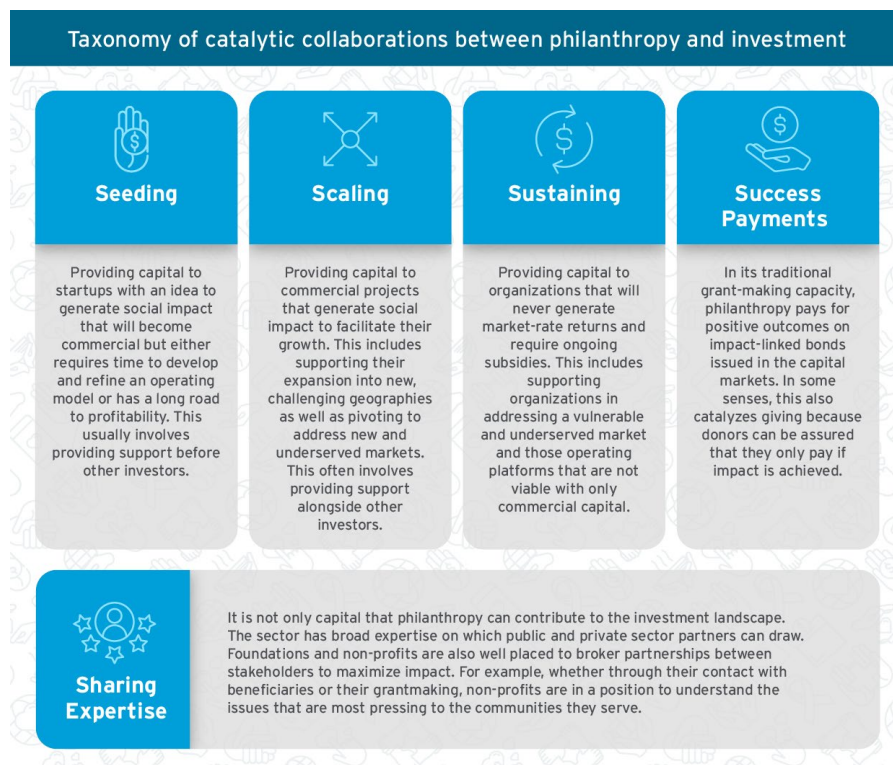
⁹⁴ Heng Qu and Una Osili, "Beyond Grantmaking: An Investigation of Program-Related Investments by U.S. Foundations," *Non-Profit and Voluntary Sector Quarterly*, Vol. 46, No. 2, 2017.

⁹⁵ See pg. 5 of Maximilian Martin, *Making Impact Investible*, Impact Economy Working Papers, Vol. 4, 2013.

⁹⁶ Joseph Rowntree Foundation, "New Frontiers – Day 1 Session 3," YouTube, August 8, 2022. "A Finance Ecology" session filmed on July 14, 2022 at the New Frontiers in Funding, Philanthropy and Investment conference.

However, one of the challenges preventing greater interaction between philanthropists and investors is the lack of a common language between the two fields and the lack of exemplars. We hope this section and the discussions arising from it go some way towards addressing these challenges by presenting examples as a starting point for discussion and mapping different possibilities for collaboration between philanthropic and investment capital.

Figure 19. Taxonomy of Catalytic Collaborations Between Philanthropy and Investment



Source: Citi GPS

By doing so, philanthropy makes concessional investment to unlock positive impact that would otherwise have gone unrealized

In all of the cases described in Figure 19, philanthropic assets mobilize other investors towards causes with positive impacts. In this sense, all elements of the taxonomy describe “catalytic capital”. Jesse Simmons of CapShift, an organization working to bring philanthropy and investment into closer collaboration, summed up what is meant by catalytic capital in a conversation as: *“by accepting an outsized risk profile, a lower nominal return, or a longer timeline, Catalytic impact investors can give a push to businesses, real assets, or non-profits that are underserved by the market. Rather than swimming with or against the market’s current, Catalytic impact investors can divert its flow towards outcomes it might not otherwise reach.”* The point is that by acting intentionally, philanthropy can make opportunities for impact investable and mobilize investors to open up larger pools of capital for organizations seeking positive social impact.

By investing early, philanthropy bridges an innovation gap to create commercial enterprises with positive social impact for the future

Philanthropic Capital Seeds Enterprises Before Commercial Investment Is Suitable

One important role for philanthropy is engaging with companies before commercial funding and investment becomes viable. In a recent report, the Catalytic Capital Consortium talk about the “challenge of the new.”⁹⁷ When new opportunities for impact enter the early stages of research and development, they may not fit the profile that investors typically require. Although they may become revenue generating at some point in the future, they typically have a long runway to profitability or are so early stage that the nature of the product, and the financial returns it might generate, are not yet clear. While philanthropic capital is used in the initial research and development phase, the hope is that commercial investors will step in later. As such, philanthropy funds the ecosystem building and de-risks the pilot efforts that give rise to mature, large-scale opportunities for impact investors. As Laura Callanan, Founding Partner at Upstart Co-Lab, put it in conversation, “*Philanthropy is the research and development capital for social change.*” In the figure above, we use Tideline’s phrase to describe this role for philanthropy: “seeding.”

By providing patient capital that can accept sub-market or no financial returns, philanthropy can hold the space for developing novel ways to unlock positive impact. As Chris Courth, Global Head of Philanthropy Services at Pictet Wealth Management, put it in conversation: “*Not everything is investible. Certain topics will always need the greater flexibility that philanthropic capital provides. And not being beholden to shareholders, an electorate or the pressures of financial return, philanthropic capital is the ultimate risk capital and can therefore be a true ‘investor’ in, and incubator of, innovation.*” One way that philanthropy can serve as an “incubator” is by investing in innovation that is not yet suitable for commercial investment but may one day be. An example is the 2020 Prime Impact Fund.

Case Study: Prime Impact Fund

In July 2020, Prime Impact Fund announced a \$50 million equity fund supporting technologies designed to reduce greenhouse gas emissions. The fund was backed by a coalition of more than 70 foundations and family offices including the David and Lucile Packard Foundation and the John D. and Catherine T. Macarthur Foundation. The fund invests in opportunities that bear too much risk for a venture capital investor and demonstrate a need for funding to bridge an “innovation gap” before they can attract market-rate capital in the future.⁹⁸ In its seeding role, philanthropy can fill this innovation gap by supporting early-stage enterprises that will have positive impact but are too early in their development to attract investment.

⁹⁷ Catalytic Capital Consortium, *Advancing Practice in Catalytic Capital: Guidance Note 1 – The Seeding Role*, May 2022.

⁹⁸ Catalytic Capital Consortium, “[Prime Impact Fund: Catalytic Capital for Climate Innovation](#),” PDF, accessed August 16, 2022.

Philanthropic Capital Co-Invests to Scale Into New Regions and Client Bases

By working with market-rate, return-seeking investors, philanthropy can support initiatives to scale into new and challenging geographies or client bases

Similar to this is the category that Tideline call “scaling”: An initiative might have been proven in one region or for one client base, but expanding into another region, pivoting to address an underserved client base, or even reaching economies of scale present novel challenges, alongside an opportunity for significant impact.⁹⁹ Commercial investment seeking market-rate returns might not be sufficiently flexible to support an enterprise’s expansion. Here, philanthropy can again fill the gap and, by doing so, unlock social impact. In this case, philanthropy need not act alone. Instead, strategically deploying capital can change the profile of these opportunities and crowd in traditional investment alongside philanthropy.

One high-profile example is the BlackRock Climate Finance Partnership (CFP), which uses (in part) philanthropic capital to mobilize private sector investment. The CFP brings together funds from the private sector and private foundations to catalyze investment from institutional investors, including insurance and pension funds. This initiative is notable for its scale: BlackRock announced an initial close of \$673 million at UN Climate Change Conference (COP26) in 2021.¹⁰⁰ Moreover, the fund aimed for a ratio of private-to-concessional capital markedly higher than the industry average, i.e., the same level of philanthropic or public funds mobilized more private sector investment than average.¹⁰¹

Philanthropic Capital Provides Longer-Term Support for Vulnerable Beneficiaries

Some opportunities require ongoing subsidies and philanthropic support alongside investment capital

Not every opportunity, even if it is revenue generating, is fully commercially viable. Where the ambition of both seeding and scaling is to provide initial support to ventures that can one day become the domain of impact investing, some enterprises will never meet the returns threshold of a commercial investor or will always be riskier than they can tolerate. As Tideline puts it, philanthropy “sustains” some operations with a positive social impact that are not completely commercially viable.

Examples here include providing long-term guarantees to, for example, a company offering loans to lower-income, underserved groups to support their home ownership. In this case, the risk of serving a vulnerable population with greater risks around repayment will not abate and philanthropy must remain engaged to sustain the impactful activity of lending to lower-income groups. The role of philanthropy here is to enable the company to raise capital from investors with a risk profile that they consider tolerable. Given that this requires ongoing capital, some might not describe it as truly “catalytic.” However, in the case we have described, philanthropy still plays a significant role in mobilizing other investors. Such payments may also catalyze further positive impact for the beneficiaries: In the home ownership example, stable housing might lead to improvements in health and education outcomes, and in access to sustainable employment for beneficiaries.

⁹⁹ Tideline, *Catalytic Capital: Unlocking More Investment and Impact*, March 2019.

¹⁰⁰ Simon Jessop and Ross Kerber, “BlackRock Raises \$673 Million for Climate-Focused Infrastructure Fund,” Reuters, November 2, 2021.

¹⁰¹ Marilyn Waite, “Blending Philanthropic, Public and Private Capital to Finance Climate Infrastructure in Emerging Economies,” *Impact Alpha*, January 23, 2020.

Philanthropists Support Impact Investments by Paying for Successful Outcomes

Structured solutions allow investors to take on the upfront risk of a project while philanthropists pay for outcomes

The final category of collaboration uses philanthropic or NGO capital to pay for successful outcomes while investors provide the upfront capital for achieving specified impacts and take the project risk. This echoes the structure of social impact or development bonds, where either repayment of the principal or return on investment is contingent on achieving a specified outcome. Often it is public sector funding that pays for successful outcomes in these arrangements. However, philanthropists— either institutional or individual, can also take on this role. This use of philanthropic assets will be catalytic in mobilizing or leveraging capital markets investments flows with positive impact as its aim.

Case Study: World Bank Wildlife Conservation Bond

In March 2022, the World Bank issued the inaugural Wildlife Conservation Bond, also known as the “Rhino Bond,” on which Citi acted as joint bookrunner. This first-of-its-kind instrument mobilizes private sector investment to contribute to protecting and increasing the black rhino population in two wildlife parks, which represent a significant share of the total black rhino population in South Africa.

The five-year, \$150 million bond will not make coupon payments to investors. Instead, the issuer will make payments to finance pre-defined conservation activities at the Addo Elephant National Park and the Great Fish River Nature Reserve, including maximizing rhino growth rates over five years. It also aims to achieve other positive social outcomes, such as supporting biodiversity through land protection and creating jobs among the local population, including hitting gender diversification targets.

Conservation Alpha and the Zoological Society of London will measure and independently verify the growth in the rhino population over the five-year life of the bond. At the redemption date of the bond, the World Bank will repay investors the principal amount of the bond, which is not linked to the project, as well as a Conservation Success Payment contingent on the growth in the rhino population over the life of the bond. This success payment will be funded by a grant from the Global Environmental Facility (GEF), a multilateral trust fund focused on nature and biodiversity, to which more than 40 donor countries from across the world have contributed since its inception.

This structure passes the outcome of the project to capital market investors. As Philip Brown, Head of Sustainable Debt Capital Markets at Citi, notes: *“the outcome payer, or philanthropic donor, could have funded the project directly, taking the full project risk, but through this structure, they only pay in the event of the project’s successful outcome, maximizing the effectiveness of grant money for conservation.”* At the same time, using donor funds creates an opportunity to mobilize investment capital seeking to support the restoration of nature and biodiversity.

Collaboration between philanthropy and investment can catalyze giving as much as investment

While it is philanthropic capital that is often described as “catalytic” and philanthropy that is often tasked with attracting private sector investment, innovative financing structures show that philanthropy and impact investment can help mobilize one another. One example is Global Citizen’s Impact Funds, recently launched as a collaboration between Global Citizen and NPX, a finance firm that aims to change the way non-profit organizations are funded. The Global Citizen Impact Funds are a series of outcomes-based funds designed to accelerate progress toward achieving the UN SDGs by linking funding with verified results. These outcomes-based funds are collaborative donor funds that release donations after impact is achieved and independently verified, tying funding with performance. The outcomes-based funds catalyze funding from impact investors, who provide the upfront capital necessary for NGO and multilateral organization partners to implement programs and services. Not only is this an innovative approach to financing impact, but the scale at which the Impact Funds operate is also notable: Each of the five inaugural NGOs involved in the funds has a program designed for an initial \$25 million investment. This compares to an average upfront capital of just over \$3 million among impact bonds as a whole, as of August 2022.¹⁰²

¹⁰² Emily Gustafsson-Wright et al., “Social and Development Impact Bonds by the Numbers: August 2022 Snapshot,” Brookings, August 9, 2022.

Case Study: Global Citizen



Focused on ending extreme poverty globally, Global Citizen Impact Funds bring together investment capital and philanthropic donations around six impact areas: food security, sustainability, health, education, water, and equity and justice. An innovative financing mechanism provides new forms of capital to NGOs to scale up turnkey, evidence-based programs and accelerate progress toward the achievement of the UN SDGs.

The financing model echoes that of social or development-impact bonds but philanthropists, rather than a national government or international agency, pay for outcomes. First, impact investors provide the upfront capital, before any impact happens. The five selected NGOs then use that funding to implement their programs. Philanthropic donations are released to repay investors only after the results of NGOs' outcomes are achieved and independently verified. Investors assume downside risk if the planned impact is not achieved in exchange for quantifiable impact and a financial return, if the planned impact is achieved. For donors, if the planned impact is not achieved, donations are not released to the NGO and may be recycled to another impact area.

Figure 20. Flow of Funds as Investment Capital Provides Upfront Capital and Donations Are Released as Impact Is Achieved



Source: Global Citizen

Bringing together these two pools of capital allows the NGOs involved to access long-term, flexible capital, which they spend on the programs they have refined to achieve the pre-agreed outcomes. Where access to capital has been a key barrier facing the NGOs involved, this financing solution leverages both impact investment and philanthropic capital to scale up the impact NGOs can have. Moreover, while funders approve the terms of the grants, the transaction is co-designed with the NGOs involved, which have been specifically selected and vetted as high-impact organizations that want to be funded this way. As a result, bringing together impact investment and philanthropic capital augments the impact that these selected organizations can achieve.

The outcomes that the transaction supports are wide-ranging. With the initial \$25 million in funding, the NGOs involved can achieve outcomes as diverse as planting 44 million surviving trees; supporting 2.5 million individuals to meet their staple food requirements for a year; detecting and treating 3.4 million malaria cases; permanently lifting 50,000 marginalized women out of poverty; improving literacy and numeracy among 300,000 children in crisis settings; and providing 500,000 people with access to clean water for the first time. Moreover, while each fund aims to mobilize a minimum of \$25 million, the majority of the NGOs could take in up to \$1 billion in outcomes-based donations.

This innovative and simple funding mechanism brings together philanthropists, investors, and NGOs around the common aim of delivering quantifiable results across the six impact areas the funds focus on. Michael Sheldrick, Co-Founder and Chief Policy Officer at Global Citizen said: *"There is an urgent need for action. Our future cannot wait. People's lives are at stake. The planet's longevity is at stake. We need innovative approaches and bold participation from the private and philanthropic sector to accelerate results toward ending extreme global poverty, NOW, more than ever. So we partnered with NPX, a leader in innovative finance to design, manage, and implement a ground-breaking vehicle that can transform philanthropy and ensure we link funding with evidence-based, data-driven results."*

Philanthropists have significant expertise, which can be deployed alongside charitable and investment capital

Beyond Capital: Leveraging Philanthropy's Expertise

Philanthropy can also play a role well beyond the provision of funding. First, philanthropists build up significant expertise in the areas in which they operate. We noted above that this expertise could be used in the stewardship of a philanthropist's own investments, but investors who may be less familiar with the regions or communities served by particular investment opportunities can also use it. Further, the wealth of expertise that philanthropy brings from its grantmaking, together with that of the organizations it has made grants to, can be used by potential investees in evaluating interventions to support underserved communities or expanding their business into more challenging regions. Collaboration, therefore, is not only about bringing together capital but also knowledge and experience.

This expertise can flow in both directions between philanthropy and investment. Reflecting on this, Rosa Sangiorgio, Head of ESG at Pictet Wealth Management commented that: *"Philanthropists can support responsible investors to understand the on-the-ground realities of the most pressing grassroots issues and how to measure non-financial impact. On the other side, responsible investors can share best practices around accountability and applying an objective metrics-based approach to decision making. The more honest and open each side is to its own weaknesses and the other's strengths, the more likely we are to see an increase in reach and impact."*

The importance of partnerships in maximizing social impact is becoming clear and the philanthropic sector can play a significant role both as a stakeholder itself and in convening a broad spectrum of partners with common motivations. The Partnering Initiative noted in a 2021 report that foundations can support partnerships as a "connector" by bringing together grantee organizations in areas of common purpose.¹⁰³ If philanthropy integrates into the investment landscape, there is also an opportunity to connect the dots between other stakeholders, including institutional investors, charities and NGOs, and public sector organizations. In this sense, philanthropy can act as a convener, connecting stakeholders towards their common aims. Indeed, foundations have a unique opportunity to act as a politically neutral broker in these situations.

The stronger integration of philanthropy and investment stands to unlock significantly more assets for philanthropic aims, including not only the sector's own assets, but investment funds that could be mobilized for positive impact. In this report, we hope to have illustrated the potential scale of capital available as well as describing some strategies for integration between these two significant pools of capital. To uncover what the trends described here mean in practice and steps philanthropists can take to integrate their philanthropy and investment, we discussed these themes with two experts at Citi Private Bank: Harlin Singh, Global Head of Sustainable Investment, and Karen Kardos, Head of Philanthropic Advisory.

¹⁰³ The Partnering Initiative, *Partnering for Philanthropic Impact*, March 2021.

A Conversation With Citi's Karen Kardos and Harlin Singh



Karen Kardos
Head of Philanthropic Advisory
Citi Private Bank

Q: With the rise of impact investing and ESG, philanthropy and investment increasingly share similar aims — from alleviating poverty to supporting climate change mitigation. How do you, and how do your clients, think about the relationship between the two?

Harlin Singh: Our clients are families and high net worth individuals, and they increasingly see philanthropy and investing as complementary to one another and to their objectives. For some clients whose philanthropic goals are related to specific social or environmental outcomes, their traditional grantmaking can be complemented by investments that align with their values, offer exposure to sustainable themes — such as healthcare, education, economic development, and climate solutions — or even seek to generate social impact alongside a potential financial return..

Karen Kardos: I agree. It's not siloed anymore. The two are very much intertwined with the shared goal to create positive impact for the common good. Our younger clients really view their lifestyle choices as philanthropic and that includes how they invest. Further, I think many of our non-profits are also trying to incorporate ESG principles into their investment policy statements. That has become much more mainstream than what we have seen in the past.



Harlin Singh Urofsky
Global Head of Sustainable Investing
Citi Private Bank

Harlin Singh: Some of that is being driven by a better understanding of the return profiles associated with impact investing. In the past, there's been a misconception that impact investing is concessionary, so it would not allow them to maximize dollars available for grants. Now, there's a growing understanding that's not actually the case. In fact, it's quite the opposite — impact investments employ the strength of capital markets to generate that positive change and have the potential to deliver market rate returns.

Q: Foundations and donors only grant a small portion of their wealth each year, but there is a significant opportunity to unlock the rest of their assets in service of positive impact. What steps can philanthropists take to leverage all of their assets in service of philanthropic aims?

Karen Kardos: When we think about the endowments of private foundations, typically there's a percentage set aside for pay-out requirements, which could be either statutory or self-imposed. The remainder is then for investment purposes. In the U.S., we sometimes think of this as the 5%, which is the required pay out, and the 95%, which is the remainder of the endowment assets.

The 5% is usually the granting piece but, in the U.S., it includes program-related debt or equity investments in a for-profit or a non-profit with a primary purpose to further the foundation's tax-exempt purpose. That brings investment to the granting side of the house. The 95% can then be invested along the spectrum from negative screening to mission-aligned investments.

Harlin Singh: Program-related investments offer concessional capital that can meet the grant requirements, while mission-related investments are expected to deliver market-rate returns. Mission-related investments have historically involved excluding certain sectors, but it is now shifting towards an inclusion and engagement approach. For example, even when the energy sector does not align with a non-profit or foundation's mission, there is an opportunity to engage with those sectors to support a strategic shift away from fossil fuels towards renewables energy, especially if the population a foundation serves is heavily reliant on the industry for survival and economic growth.

Karen Kardos: You raise a good point, Harlin. When we think about investments, foundations can use more than just their philanthropic assets to move the needle. We have seen this recently with The Rockefeller Foundation: They announced that climate change will be a focus for all of their work, from granting to operations to investments. From an operations perspective, this could be thinking about the energy efficiency of the building you're in, the vendors you use, or your investment managers. It can go beyond the endowment to the "lifestyle" of the private foundation.

Harlin Singh: That reminds me of an example. We have a foundation for whom diversity, equity and inclusion is a focus area. They decided not to transition their investments to ESG or impact strategies, but they did evaluate how diverse their investment managers were. It's not just what they're investing in, but who is making the decision. That's a point of influence — when you have a foundation with a significant amount of assets asking why the team is not diverse, it could change the landscape of the entire industry.

Q: The assets held by philanthropy are significant, but addressing global challenges requires the collaboration of many other stakeholders, including private sector investors. How can philanthropy play a role in diverting private sector funding towards the pressing global challenges that have often been the concern of philanthropy?

Karen Kardos: I see this as a two-step process — first, philanthropy can take risks and look at moonshots. For example, philanthropists can provide seed funding for a start-up or fund social entrepreneurs. Whether it's a grant or an investment, philanthropy can work lockstep with its partner organizations to learn and course-correct. This could really lead to scaling innovative ideas.

Second is philanthropy's superpowers of convening and collaborating with both the private and public sectors. Philanthropists want to be connected. They want to learn from like-minded funders and co-investment opportunities can provide funding for true innovation at a larger scale.

Harlin Singh: Philanthropy can help build the investment case for routing private sector funding towards solutions to global challenges. There's a huge case for businesses transitioning their practices from a cost perspective, a customer acquisition perspective, and a regulatory perspective. Foundations have a wealth of relevant knowledge here: Some have scientists that are working on these issues, others are think tanks and experts in their field. They can offer thought leadership to help businesses transition their practices and to become better community stakeholders.

Blended capital can also drive investment into areas that are challenging for businesses because of their cost or risk profiles. Pay for success models, for example, were catalyzed by the philanthropic community to mobilize market rate capital. Another area is providing first-loss equity in emerging markets to de-risk investments and crowd in market-rate participants. Some areas that philanthropists are focused on are perceived to be risky because of geography or sector, and there is an important role for foundations to play in crowding in some of those dollars.

Non-profits can also serve as subject matter experts: For example, in the Wildlife Conservation Bond profiled in this report, non-profits validate the success payments. Investors may not have the same expertise as those in the non-profit and foundation space, and involving experts from the non-profit sector gives comfort to investors both in terms of the biodiversity outcome and the investment outcome.

Karen Kardos: Philanthropy has become adept at measuring impact and it's because they rely on experts to formulate the program and metrics for success. Using those experts to measure the impact of investment is critical for investors to see that they are truly making an impact. Perhaps there is a role for standardization or regulation to play in defining impact too.

Harlin Singh: There is a lot of talk about that. If every investor is asking for a different set of metrics, reporting becomes costly. The Global Impact Investing Network has made efforts to standardize this. The remaining challenge will be quantifying social impact in a way that can be compared to financial returns and benchmarking one impact against another to decide, dollar for dollar, which investment has the greatest impact. For example, is educating 100 students the same as treating 100 patients for a disease? At some point, the line must be drawn and investors need to have confidence in comparing investments to their peers, for example comparing education with education, not education with emissions.

Karen Kardos: This illustrates the beauty of co-investment in the philanthropic space. Funders come together to build the program and determine the metrics they will measure — this is one set of metrics, not multiple. That's why the power of collaboration and philanthropy is so strong.

We must also keep in mind that there is a difference between outputs and outcomes. Outputs are easier to measure, but outcomes are generally longer term and require control testing. For example, it is easy to measure the number of lower income students supported through university, but it takes time to measure the impact that university had on those students' lives.

Harlin Singh: This is an important distinction because the point of failure can come later down the line, after the measurement. This is where foundations and non-profits need a seat at the table discussing what needs to be measured and for how long, because they think over a longer term. Sustainable investment is often also considered long-term. For example, the energy transition is decades long. The investment in impact doesn't end when the financial investment ends.

Karen Kardos: All of this underlines the point that multi-year grants and co-investing are important for non-profit organizations because it gives them a longer time horizon to run programs, learn from what they're doing and, if necessary, course correct.

Q: You have both previously described how philanthropists increasingly consider impact more holistically than something only achieved through their donations. Harlin, you have talked about more holistic thinking around legacy in particular. What is driving this change?

Harlin Singh: First, the opportunity set has grown. Values-aligned investing and exclusionary principles have been around for decades, but mission-related investments are gaining traction as the misconception that these investments involve concessionary returns has started to fall away. If two investments seek to generate the same financial returns and one also seeks to generate a positive impact, why would you not choose the latter?

Second, families are multi-generational. They are not just thinking about their wealth today but over the course of many generations. They want to leave a legacy both in terms of what they want to be known for and in terms of what they leave for their descendants.

Karen Kardos: Women and younger generations are increasingly becoming the powerhouses of philanthropy, and they use their endowment and investments to drive change. They see it all as one and don't put it into siloes, as the older generation perhaps did. In 2018, the Nathan Cummings Foundation announced it would redeploy its entire endowment to impact investments focused on climate change and social justice. Much of the impetus for this can be credited to the great-granddaughter of the founder as a Trustee of the Foundation. In 2013, a small portion of their endowment was set aside for impact investing and with the addition of a woman President and CEO a couple of years later, the board decided to go "all-in." They said they would use all of their endowment to look at climate change and social justice. I remember at the time thinking that every foundation would follow because, as you say, Harlin — why wouldn't they! But they didn't. In fact, it seemed to kick off the performance debate around impact investing. At that time, we heard some high-profile foundations indicating they were already making double-digit returns and didn't need to consider impact investments. The "double bottom line" didn't seem to resonate.

Harlin Singh: We are starting to see clients aligning their portfolio with their goals and set their financial hurdles not relative to an index but based on what growth will allow them to continue giving. Some of their investments are concessionary, some seek market rates, and some above — but they are not necessarily thinking in the context of a traditional market rate.

While younger generations and women have led the charge, there is an overall shift in attitudes as the investment case is made and all stakeholders consider their future and legacy as a whole.

Q: There has been some progress on integrating philanthropy into the investment landscape, but what are the barriers to closer integration between the two? How might these barriers be overcome?

Harlin Singh: First, while the idea that impact investments only deliver sub-market returns has been tackled, for many that still comes in the majority of conversations. The size of opportunities is another challenge: Blended finance vehicles are still small, and they are not crowding in significant capital in any given raise. Blurring the lines between philanthropy and investment also requires an entire system change and deciding, both for tax and other reasons, which activities fall under each heading.

It's sad to say, but the pandemic, the conflict in Europe, and its impacts on energy and food security are crises that will bring more investible opportunities and more capital to seek them out. We had an example of this in spring 2020: The Black Lives Matter movement had been around for years but a spotlight was shone on it when people were at home hearing the protests outside their doors. We then saw capital seeking investment in Black-owned businesses. Continuing this requires system change, so it's a multi-year process, but I'm optimistic that we will get there.

Karen Kardos: I agree, the world is changing. COVID-19 and the death of George Floyd shone a spotlight on the inequalities in our public support systems. That changed what people were thinking about and the choices they made in their life, whether that's which organizations to fund, where to invest, where to shop, or which restaurants to patronize. Another barrier is the difficulties of impact measurement, though there are ways to overcome this, like those we discussed earlier. A key question for the field is who will oversee measurement such that the public can have confidence in claims about impact.

Harlin Singh: We also see a kind of "analysis paralysis" where investors seek perfection from their impact investments. For example, an investor's North Star could be solving the affordable housing crisis. But embedded in this is also the need to solve for infrastructure and transportation, economic opportunity, and pollution. Investors need to start thinking about this through the lens of an ecosystem of impact — where one problem has many solutions and may require a multi-faceted portfolio approach. Karen, what is your view from the foundation side?

Karen Kardos: Historically, foundations took their mission to heart, but we're seeing, slowly but surely, an increasing willingness to address the mission through the lens of social change. Going back to The Rockefeller Foundation example: They will still have their focus areas, but they will look through the lens of climate change. In the old days, foundations looked at just their focus area.

Harlin Singh: I wonder if reporting might be solved here: If foundations show through evidence that investment opportunities address their core mission because many impact areas are interrelated, perhaps that gets an investor over the hurdle. Going back to our example, if you don't have affordable housing, then having adequate public transportation doesn't matter, so you need a little bit of both.

Karen Kardos: Exactly. If you're a foundation focused on women and girls, investing in sustainable day care centers aligns with your mission, even if you mightn't think it does at first blush.

Q: The wealth management industry seems well placed to facilitate the deeper integration of philanthropic capital into the investment landscape. What role can the industry play here and which other stakeholders are needed to open up pathways for this integration?

Karen Kardos: The industry plays a role in helping to educate funders and investors. Wealth managers, through their connections, can also bring together like-minded funders to spark these conversations.

Harlin Singh: We like to say that our clients are individuals, families, non-profits, and foundations but dig a bit deeper: They are business owners, influential people, and many of them are enormous philanthropists. They are changemakers because they have the capital to be patient and take risks. Education is a huge component of unlocking this capital because it's there. The influence is there. The desire for our clients to drive change is absolutely there. It's a matter of connecting the dots.

Philanthropy has already found a wide range of use cases for digital assets and their underlying technologies

Digital Asset Giving

Innovators in philanthropy have found a range of uses for digital assets and the technologies that underlie them. Non-profits have increasingly started to accept donations in digital assets, just as commercial organizations have started to receive payments in digital assets. Moreover, data suggest that donations in cryptocurrencies skyrocketed in 2021, with some data reporting between a sixfold and twelvefold increase in digital asset donations.¹⁰⁴ But this is the tip of the iceberg: digital assets are far more than a new modality of giving. For example, if digital asset donations are also spent in cryptocurrency, donors can track and set stipulations on what their funds are spent on.

In this chapter, we explore the role of digital assets in philanthropy and how this new modality of giving differs from traditional philanthropy. We see three key differences:

1. First, the **demographics of digital asset owners vary markedly** from traditional donors. Hence, the rise of digital asset donations might **reverse declines in the donor base and grow the total stock of philanthropy**, which has been stagnant for decades.
2. In the short term, digital asset giving looks different to traditional philanthropy, as donors seem to **support different causes** and giving opportunities might be **limited to larger charities** that have more capacity to upskill and access digital asset donations.
3. Digital asset donations create new possibilities for **the practice of philanthropy**, for example by prioritizing transparency. This alters the relationship between donors and recipients, shifting power towards donors and reducing the requirement for trust between them.

What are digital assets?

Defining digital assets, including cryptocurrencies and non-fungible tokens (NFTs)

Before we consider their role in philanthropy, let us be clear what digital assets are. A digital asset is anything that is created, transmitted, and stored digitally, has value, and ownership of which is recorded on a “blockchain,” a digital ledger that records transactions. In the context of philanthropy, two categories of digital assets have been relevant so far:

1. **Cryptocurrencies**, like Bitcoin and Ethereum, which are the most popular cryptocurrencies used by donors.¹⁰⁵ Taking a digitally native form, cryptocurrencies are based on a peer-to-peer networking architecture built on code created by members of the digital asset ecosystem. This allows individuals to transfer assets between one another without the need for a central authority. As such, they are considered “decentralized” unlike fiat currency, which is controlled by the central bank (see Figure 21). The value of these assets is determined by supply and demand within a network of users, and it has historically been volatile.¹⁰⁶

¹⁰⁴ Fidelity Charitable, *Giving Report 2022*, February 2022; National Philanthropic Trust, *The 2021 Annual Report*, March 2022.

¹⁰⁵ The Giving Block, *Annual Report 2021*, February 2022.

¹⁰⁶ Citi GPS, *Future of Money: Crypto, CBDCs, and 21st Century Cash*, April 2021.

Figure 21. Core Differences Between Fiat Money and Cryptocurrencies

Taxonomy	Issuer	Form of Money	Value Recognition	Ledger	Supply
Fiat Money	Issued by a central bank or government	Multiple - including physical cash (coins and banknotes) and reserves held by financial institutions at the central bank	Backed by central bank credit	Centralized, issued, and controlled by the central bank	Unlimited — can be produced by the government when necessary
Cryptocurrencies	Mostly issued by the private sector (notably there is no legal entity that issues cryptocurrency)	Single form (i.e., digital token)	Facilitated by technology such as blockchain and relies on miners' consensus	Decentralized, i.e., distributed ledger database is spread across several nodes/devices on a peer-to-peer network, where each replicates and saves an identical copy of the	Limited

Source: Citi GPS (2021), *Future of Money*

2. **Non-Fungible Tokens (NFTs)** are used to describe unique non-fungible digital assets that are not interchangeable and whose ownership is recorded on a blockchain. They can be bought and sold in the same way as physical assets, but they have no tangible form of their own.¹⁰⁷ While the primary use case of NFTs is art — like photos and videos — NFTs also include audio files, text files, and other collectibles.¹⁰⁸ NFTs enable a form of sovereign ownership for the users/owners and are traceable, composable, immutable, and mostly interoperable. As The Giving Block puts it, the NFT is like the deeds to the house, not the house itself.¹⁰⁹

A Brief History of Digital Assets in Philanthropy

Innovators in the non-profit sector have paid sustained attention to digital assets, in tandem with commercial enterprise

Digital assets have received sustained attention from the non-profit sector in tandem with commercial organizations (see Figure 22). For example, Save the Children became the first international NGO to accept donations in Bitcoin in 2013 — a year before Overstock became the first major retailer to accept payments in the same cryptocurrency.¹¹⁰ Innovations specific to the non-profit sector have followed closely behind. For example, AidCoin, which incentivizes spending in cryptocurrencies to promote transparency, launched in 2018.

While the wider sector might lag in adopting new technologies owing at least in part to difficulties raising funding to support technological development, innovators in the field are almost a decade into their digital assets journey.¹¹¹ Yet, it bears noting at the outset that crypto-giving remains a nascent trend: A recent report from the Lilly Family School of Philanthropy described the “timid emergence” of this modality of donation.¹¹² Indeed, as Matt Whittaker notes in his interview in this report, many charities are still convincing their board to use Facebook or trying to move donors from checks to direct debits. Digital assets may be the future of philanthropy, but for now this is a nascent trend.

¹⁰⁷ Citi GPS, [Global Art Market Disruption: Pushing the Boundaries](#), March 2022.

¹⁰⁸ Citi Global Insights, [NFTs – A Primer](#), September 2021.

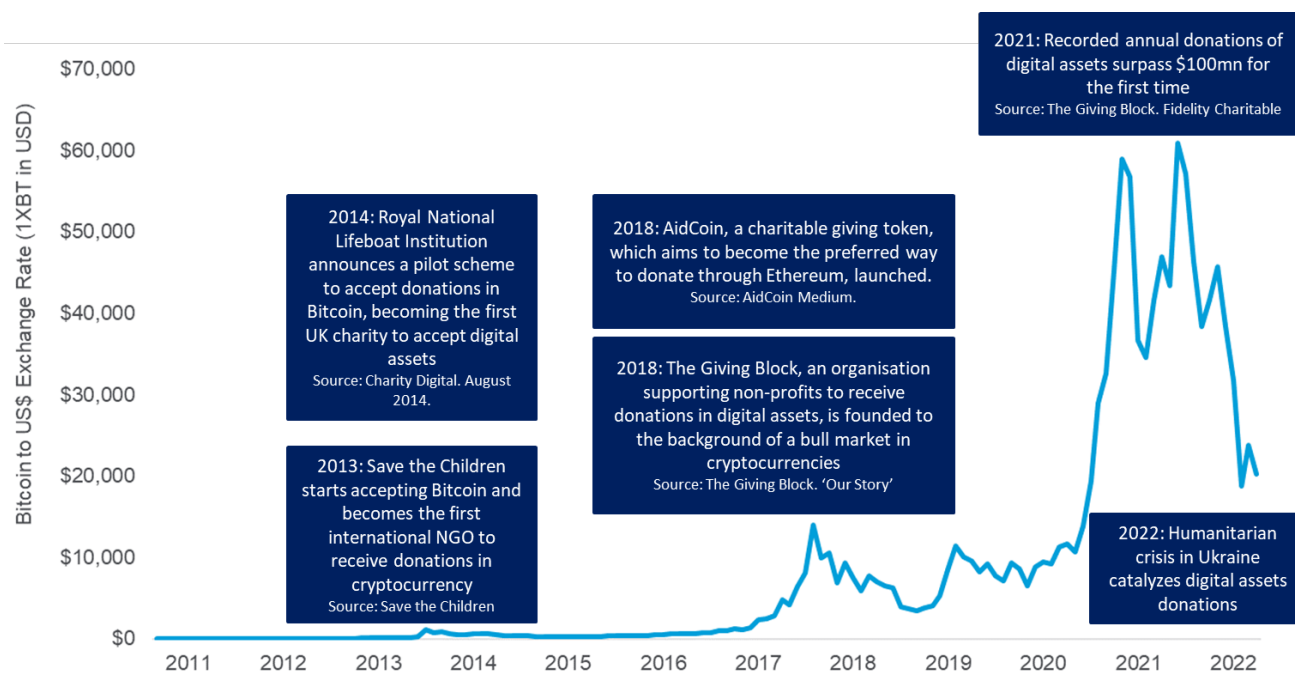
¹⁰⁹ The Giving Block, *The Rise of NFT Fundraising*, June 2022.

¹¹⁰ Cade Metz, “Overstock.com Becomes First Major Retailer to Accept Bitcoin Worldwide,” *Wired*, September 11, 2014.

¹¹¹ Citi GPS, [Philanthropy and the Global Economy: Opportunities for a World in Transition](#), November 2021.

¹¹² Aja Pirtle, “Digital for Good: A Global Study on Emerging Ways of Giving,” Indiana University Lilly Family School of Philanthropy, May 12, 2022.

Figure 22. Timeline of Emergence of Digital Asset Donations



Source: Citi GPS, Citi Global Insights, Bloomberg. Additional sources noted in chart.

Cryptocurrency donations grew in 2021 but remain a small part of philanthropy

2021 was a record year for donations of digital assets

While data on the value of donations made in digital assets is incomplete and difficult to collate, indications suggest that 2021 saw significant growth. First, contributions of digital assets to Fidelity Charitable Giving Accounts increased twelvefold compared with 2020 (see Figure 23).¹¹³ The Giving Block, an organization supporting non-profits to accept donations of digital assets, likewise reported total donations of \$69 million, an increase of almost 1,600% compared with 2020.¹¹⁴ The National Philanthropic Trust further reports that cryptocurrency contributions to Donor Advised Funds (DAFs) saw a sixfold increase in 2021.¹¹⁵ Yet, the value of donations made in digital assets remains small as a share of total monetary donations.¹¹⁶ For example, while a record \$330 million flowed into Fidelity Charitable Giving Accounts in digital assets in 2021, grants from those accounts surpassed \$10 billion in the same year.

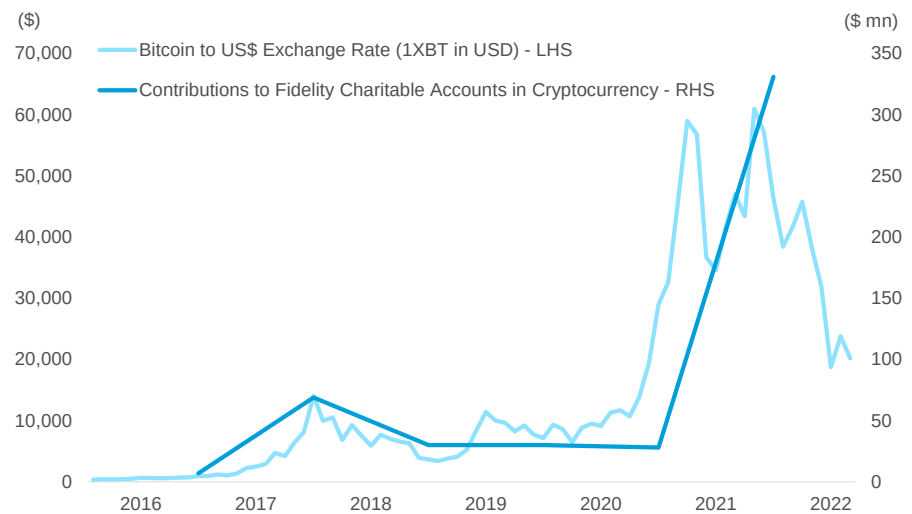
¹¹³ Fidelity Charitable, *Giving Report 2022*, February 2022.

¹¹⁴ The Giving Block, *Annual Report 2021*, February 2022.

¹¹⁵ National Philanthropic Trust, *The 2021 Annual Report*, March 2022.

¹¹⁶ Citi GPS, *Philanthropy and the Global Economy: Opportunities for a World in Transition*, November 2021.

Figure 23. 2021 Saw a Significant Increase in Donation Volumes in Cryptocurrency



Note: Data point for 2019 is missing; trend interpolated.

Source: Fidelity Charitable Giving Reports 2016-22, Citi Global Insights, Bloomberg

This trend coincides with an ever-increasing number of charities accepting donations of digital assets. Counting only those charities onboarded to receive digital assets through The Giving Block, the number of charities accepting digital assets increased from fewer than 100 in 2019 to over 1,000 by 2021.¹¹⁷ This may be connected with the increase in the value of donated digital assets: With more charities onboarded, there were more opportunities to donate digital assets, driving an increase in total donation volume.

Along with individuals, some corporates in the digital asset space also choose to give in cryptocurrency

This largely accounts for donations of digital assets made by individuals, but some corporates are also choosing to donate in cryptocurrency — especially those that are part of the digital assets ecosystem. For example, some companies engaged in the digital assets ecosystem have set up corporate foundations that give in cryptocurrency. Binance Charity, whose work with Mercy Corps is profiled below, is one example. Binance Charity is the philanthropic arm of cryptocurrency exchange Binance. It was formed in 2018, just a year after the formation of Binance itself. Donors to the UNICEF CryptoFund are also primarily corporates (and their foundations) engaged in the digital assets ecosystem: for example, Huobi Charity (the charitable arm of the cryptocurrency exchange Huobi) and Animoca Brands (a blockchain gaming company).¹¹⁸

Emergence of donations in NFTs

Philanthropy was also able to capitalize on the expansion of the NFT market in 2021. Between April 2021 and March 2022, 16.8 million sale transactions in NFTs were recorded, totaling in excess of \$18 billion.¹¹⁹ The Giving Block reports that in 2021, more than \$12 million in digital asset donations through the platform came from gifts of NFTs. While this is clearly a very small portion of the total NFT market, it is more than 15% of the total digital asset donations processed by The Giving Block — as digital asset giving continues to evolve, NFTs might play a central role.

¹¹⁷ The Giving Block, *Annual Report 2021*, February 2022.

¹¹⁸ UNICEF, "[The UNICEF CryptoFund: What Is It All About?](#)," December 23, 2020.

¹¹⁹ Citi GPS, [Global Art Market Disruption: Pushing the Boundaries](#), March 2022.

NFTs present a new way for digitally-enabled non-profits to engage donors

Receiving donations of NFTs is the tip of the iceberg: Some non-profits have started to experiment with minting their own NFTs. For example, in December 2021, UNICEF announced plans to sell 1,000 NFTs with proceeds supporting the Global Office of Innovation, including an initiative to connect every school in the world to the internet.¹²⁰ A second revenue stream deriving from the rise of the NFT market involves artists donating a portion of their royalties to charity. For example, the U.S.-based department store Macy's created NFTs of its Thanksgiving Day Parade floats and donated 10% of the proceeds to the Make-A-Wish Foundation.¹²¹ These examples demonstrate the possibility for charities to fundraise through NFTs. However, as we discuss below, innovative uses of NFTs by non-profit organizations have not always been met with support from existing donors.

Further Growth May Be Expected Into 2022 Catalyzed by Conflict in Ukraine

The conflict in Ukraine may have catalyzed digital asset giving further in 2022

Donations in cryptocurrency may grow further into 2022, both as a continuation of 2021's growth and as digital assets become an increasingly popular medium of donation for aid surrounding the conflict in Ukraine. One of the claimed advantages of digital assets is that they can transmit funds globally at a very low cost, including into fragile settings with limited financial infrastructure. For example, Binance Charity describes below how custom-designed digital asset tokens provided humanitarian aid in the Bidibidi Refugee Settlement. The philanthropic response to the conflict in Ukraine has been significant and digital assets have played an important role.

Indeed, the Ministry of Digital Transformation in Ukraine set up an initiative called Aid for Ukraine to receive donations direct to the Ukrainian government in a variety of cryptocurrencies. The initiative has raised the equivalent of over \$60 million as of September 2022.¹²² Speaking to CoinDesk, Alex Bornyakov, the Deputy Minister of Digital Transformation of Ukraine, said that most of these donations came from Ukrainians or entrepreneurs doing business with the country. This was just one initiative. Elsewhere, the total value of crypto donations to Ukraine has been estimated at \$135 million, almost double the total amount processed by The Giving Block in 2021.¹²³ Further, by April 2022, the Ukrainian government had received more than 300 NFTs as donations, some of which raised significant funds: In June 2022, the Ministry of Digital Transformation announced that the sale of *CryptoPunk 5364* (donated to Aid for Ukraine in March) generated more than \$100,000.¹²⁴ Precise measurement is as difficult here as measuring cash donations, but the value of digital assets donated during the conflict in Ukraine runs to the hundreds of millions.

¹²⁰ UNICEF, "[UNICEF to Launch UN's Largest-Ever NFT Collection to Mark 75th Anniversary](#)," December 8, 2021.

¹²¹ Macy's, "[Own a Part of History with a Limited-Edition Parade NFT](#)," November 16, 2021.

¹²² Ministry of the Digital Transformation of Ukraine, "[Help Ukraine with Crypto, Don't Leave Us Alone with the Enemy](#)," March 14, 2022.

¹²³ Anna Baydakova, "Where the Coins Go: Insight Ukraine's \$135M Wartime Fundraise," *CoinDesk*, June 10, 2022.

¹²⁴ Eli Tan, "Ukraine Sells Donated CryptoPunk NFT for \$100K to Support War Effort," *CoinDesk*, June 20, 2022.

Declines in the value of digital assets risk reversing the growth if digital asset donations

However, while it seems that donations in digital assets have grown in 2022, this may be at risk as we look ahead. The growth in digital asset donations in 2021 was set to the backdrop of a crypto bull market. However, as of September 2022, Bitcoin has slipped over 60% from its all-time high, seen in 2021.¹²⁵ The previous spike in digital asset donations in 2018 was linked with an increase in the value of Bitcoin in 2017. Continued declines in the value of digital assets therefore risk stalling the growth of digital asset donations, or rolling back 2021's donation volume. Of course, this would not be unique to digital assets — cash donations in the U.S. are closely correlated with equity indices.¹²⁶

Digital Asset Donations Might Grow the Donor Base and the Total Stock of Philanthropy

One of the most significant opportunities for digital assets to reshape philanthropy is by expanding the donor base and increasing the total value of donations each year. We argue that there are two reasons digital asset donations might grow the total stock of philanthropy:

1. **Demographic features of the digital assets ecosystem** present a novel and additive revenue stream for non-profit organizations.
2. Emerging data suggest that **digital asset owners are more philanthropic than their peers**, augmenting the contribution the community could make to philanthropy.

However, this is subject to the caveats made in the previous section — namely that declines in the value of digital assets risk rolling back donation volumes in digital assets in the near future.

Digital asset owners are primarily young men

Digital asset owners are primarily young men, an elusive target for most fundraising strategies

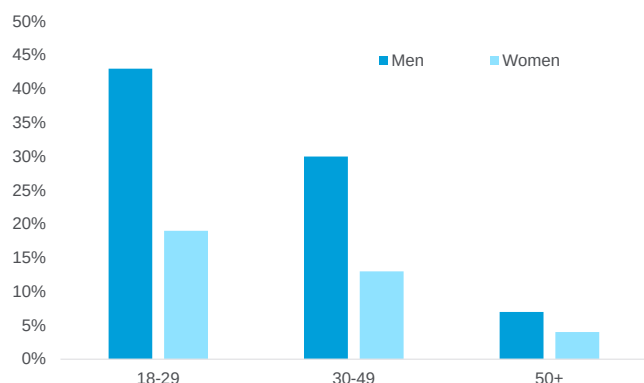
The demographics of digital asset ownership vary so markedly from the traditional donor base that addressing the digital asset ecosystem is an opportunity to grow the global stock of philanthropy.

When charities first started to receive donations of digital assets, they primarily came from early adopters of cryptocurrencies who had been well-enough embedded in the technology ecosystem to both be aware of and understand the innovation presented by digital assets in their earlier days. For example, the donor behind Pineapple Fund (discussed below) fits this description. Since then, adoption of digital assets has both increased and broadened across the population, but some distinguishing demographic features remain. According to a 2021 survey by Pew Research Center, 16% of Americans report having invested in, traded, or used cryptocurrency. This number increases to 43% among men aged 18 to 29, and to 30% among men aged 30 to 49 (see Figure 24). In other words, cryptocurrency owners are primarily young men.

¹²⁵ Emily Nicolle and Olga Kharif, "A \$2 Trillion Free-Fall Rattles Crypto to the Core," *Bloomberg*, updated June 27, 2022.

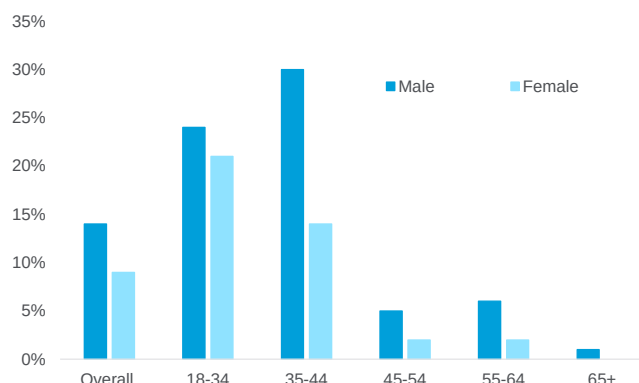
¹²⁶ Jessica Browning, "Trends That Will Shape Philanthropy in 2022," *Giving USA*, December 16, 2021.

Figure 24. Share of American Population Having Invested In, Traded, or Used Cryptocurrency, by Age Group



Source: Pew Research Center

Figure 25. NFT Ownership Among Investors in the U.S., by Age Group

Note: Based on a survey a few weeks after Beeple's *First 5000 Days* was auctioned at Christie's.

Source: Statista (2021)

If digital asset owners start to give, this could open up a new donor base for the non-profit sector

The picture among owners of NFTs differs slightly, with a smaller gender gap and broader adoption across age groups. However, men under 45 are still more likely to own NFTs than other groups: Figure 25 shows that NFT ownership peaks at 30% among male investors aged 35-44. The gender gap varies with age, at just three percentage points among those aged 18-34, while in the next age cohort, twice as many men report owning an NFT. However, the NFT market is significantly smaller than the broader digital assets economy. As Citi colleagues noted in the Citi GPS report [Global Art Market Disruption](#), Chainalysis reported an estimated \$44 billion was spent on NFTs in 2021 versus an estimated \$2 trillion market cap for publicly traded crypto assets.¹²⁷ Overall, then, digital asset owners are primarily young men.

This is a marked distinction from the demographics of traditional donors, who are usually older, married women.¹²⁸ A recent article amplified this point: Of the 2.9 million people who own cryptocurrency in the U.K., 2.4 million are under 45, compared with an average age among donors of 64 years.¹²⁹ This presents an opportunity for philanthropy for two reasons:

- **A distinct donor base presents an additional fundraising opportunity for non-profit organizations.** Just as NFTs may be driving up art ownership among younger groups, digital assets also present an opportunity to grow charities' donor base among the younger generation.¹³⁰ With its distinct demographic profile, fundraising from digital asset owners could unlock a revenue stream which would be additive to the receipts of the philanthropic sector. As Laura MacDonald noted in her interview, "*The most promising trend is the demographic profile of those who are donating digital assets. They tend to be younger and male — an elusive target for most donor acquisition strategies.*"

¹²⁷ Citi GPS, [Global Art Market Disruption: Pushing the Boundaries](#), March 2022.

¹²⁸ Citi GPS, [Philanthropy and the Global Economy: Opportunities for a World in Transition](#), November 2021.

¹²⁹ Owen Williamson, "Crypto Philanthropy: The New Era of Giving," *The Drum*, March 31, 2022.

¹³⁰ Citi GPS, [Global Art Market Disruption: Pushing the Boundaries](#), March 2022.

■ **Generational wealth transfer to younger groups could necessitate accepting donations of digital assets.** Wealth is moving into younger hands: A 2022 study of the U.S. estimates that over \$84 trillion will be transferred by 2045, while a 2021 study of the U.K. expects £5.5 trillion (\$6trn) to pass between generations in the next thirty years.¹³¹ For non-profits, this might necessitate accepting digital assets like cryptocurrency to ensure that a new generation of wealth owners continues to donate. However, we have noted previously that women are expected to inherit 70% of inter-generational wealth by 2035.¹³² Given that crypto adoption is differentiated by gender as much as age, there may not be such a marked transition to crypto donation with the generational wealth transfer as might otherwise be expected.

Geography of philanthropy varies markedly from the geography of crypto adoption

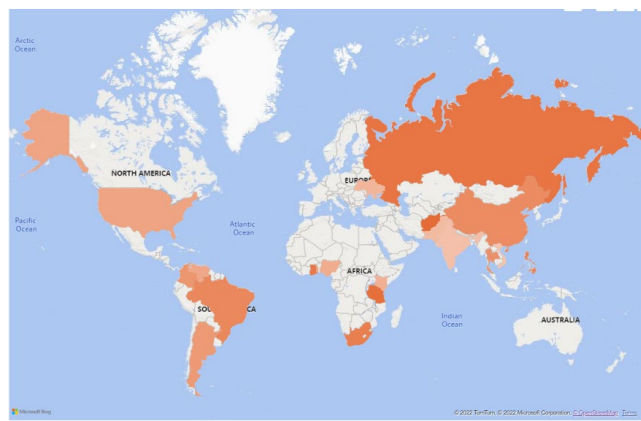
Just as the demographic profile of digital asset owners differs from that of traditional donors, the geography of philanthropic donations similarly differs from the geography of crypto adoption. Of the 20 countries with the highest level of donations from individuals as a share of GDP, only three are also on the list of the 20 countries with the highest levels of adoption of cryptocurrencies.¹³³ Figure 26 shows that Western Europe ranks highly in terms of countries displaying a high level of donations from individuals as a share of national GDP (see Figure 26), but cryptocurrency adoption among individuals remains low in this region (see Figure 27). Instead, crypto adoption is higher in Latin America and, in some cases African countries, which do not see high levels of donations (see Figure 27).

Figure 26. Countries Ranked by Level of Individual Donations as a Share of GDP



Source: CAF (2016) Note: Created with Power BI

Figure 27. Countries Ranked by Adoption of Cryptocurrency Among Individuals



Source: Chainalysis Note: Created with Power BI

¹³¹ Cerulli, "[Cerulli Anticipates \\$84 Trillion in Wealth Transfers through 2045](#)," January 20, 2022; Kings Court Trust, "[Passing on the Pounds: The Rise of the UK's Inheritance Economy](#)," PDF, accessed September 19, 2022.

¹³² Bruce DeBoskey, "On Philanthropy: Predictions on Charity and Giving for 2021," *The Denver Post*, January 10, 2021.

¹³³ Those countries are India, Russia and the U.S.; Chainalysis, *The Chainalysis 2021 Geography of Cryptocurrency Report*, October 2021; Charities Aid Foundation, *Gross Domestic Philanthropy*, January 2016.

The geographical distribution of digital asset owners across the world might therefore also present a novel donor base. The growth of donations in cryptocurrency might present an opportunity to grow the stock of philanthropy in countries that have not historically seen high levels of individual giving, but which have high levels of crypto adoption — for example Latin America and some African countries. Further, for non-profits that raise funds internationally, expanding the range of donation modalities to include digital assets might increase donations from these regions. This could be an opportunity to democratize giving globally.

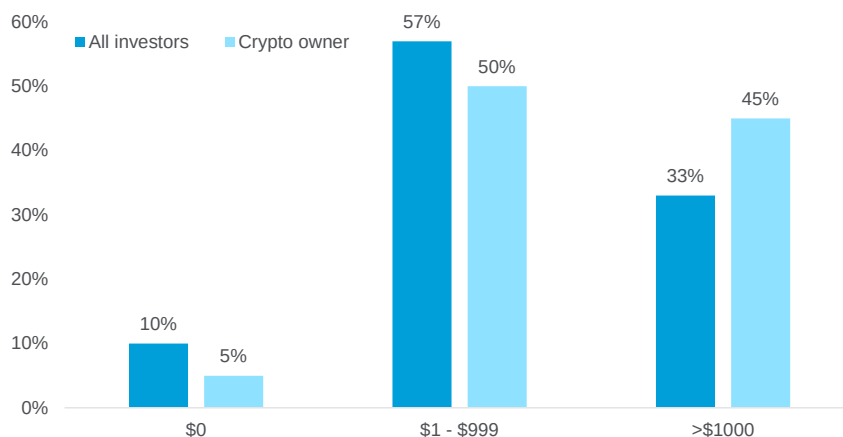
Emerging Data Suggest Crypto Owners Are More Philanthropic

Of course, another interpretation of the demographic and geographic distinctions is possible. The differing demographic base will only present an additional revenue stream for charities if these groups start to donate. The fact that digital asset donors belong to groups that are less likely to donate might, conversely, imply the unlikelihood of significant donations from these groups and, by extension, that digital assets could remain only a small element of philanthropy. This might limit the proportion of charities investing in readiness for digital asset donations: As Matt Whittaker notes in his interview in this report, *“if sufficient numbers of their donors aren’t using crypto, charities won’t either.”*

Emerging data suggest that digital asset owners are more generous than cash donors

However, emerging data suggest that digital asset owners are more generous than their cash-giving counterparts. In a survey, Fidelity Charitable found that investors in cryptocurrency were more likely both to donate and to donate more than \$1,000 compared with investors as a whole (see Figure 28). Similarly, The Giving Block notes the average donation size for those giving digital assets in 2021 was 82x the average online one-off cash donation over the same period (\$10,455 for digital assets versus \$128 for cash donations).¹³⁴ However, this is not a like-for-like comparison because donations made online constitute only a subset of total donations made in fiat currency with the largest donations often being made offline. By contrast, digital asset donations are digitally native and even high value donations are made online. This distinction might in part account for the higher average donation value among digital asset donors rather than any true distinction between the two groups.

Figure 28. Crypto Investors Were More Likely to Give to Charity and More Likely to Give More



Source: Fidelity Charitable (2021)

¹³⁴ The Giving Block, *Annual Report 2021*, February 2022.

Three key reasons that digital asset donors might be more likely to give than the average individual

There may be further reasons to think that digital asset owners are more likely to donate than their cash-donating counterparts:

1. **The digital assets ecosystem has generated extraordinary wealth and that might lead to higher levels of giving.** Those who bought Bitcoin in January 2016 had seen the value of their purchase grow 124x by the end of 2021.¹³⁵ This extraordinary performance might account for the outsized contribution of digital asset owners to philanthropy. A similar trend was seen in the dot-com boom in the early 2000s when U.S. individual giving increased from 1.2% of GDP in the mid-1990s to 1.7% by 2000. It is worth noting that if outsized returns are driving increased giving among digital asset owners, the trend may be at risk going forward as the value of digital assets has declined. However, when the dot-com bubble burst, philanthropy only gave back some of the gains of the previous decade, with U.S. individual giving remaining at 1.6% of GDP until the Global Financial Crisis.
2. **Many digital asset owners gained wealth unexpectedly, which might make them more philanthropic.** For example, the investor behind Pineapple Fund, who gave the equivalent of \$55 million to charities across a range of causes, notes on Pineapple Fund's website that the motivation for these donations was the "expectation shattering returns" amassed after early engagement with the digital asset ecosystem.¹³⁶ Underlining this point, Dr. Pete Howson, a leading academic in the space, noted "*a lot of Bitcoiners accrued hundreds or even thousands of bitcoin with very little effort back in 2010. Ten years later they're now billionaires.*" While there may be only few cases of individuals generating wealth at this scale — as of September 2022, there were 25,666 Bitcoin wallets containing more than \$1 million — that these returns are unexpected might generate a higher propensity to give.¹³⁷
3. **Predisposition of digital asset owners towards decentralization leads to support for organizations independent of the state.** As we noted above, decentralization is a defining feature of digital assets: Counterparties can interact without any need for an organizing intermediary. This echoes the structure of philanthropy: Many charities and non-profits are engaged in providing services that elsewhere may be provided by the state. Indeed, we have previously shown that philanthropic donations are negatively correlated with state spending.¹³⁸ In this regard, charities appear an "alternative" to the state and this might drive an increased propensity of digital asset owners to support these organizations.¹³⁹

An education gap is slowing down adoption of digital asset giving

¹³⁵ Statista, "[Bitcoin \(BTC\) Price per Day from October 2013 to June 29, 2022](#)," accessed June 29, 2022.

¹³⁶ Pineapple Fund, "[Donated \\$55 Million of Bitcoin to Charities](#)," accessed September 19, 2022.

¹³⁷ BitInfoCharts, "[Bitcoin Rich List](#)," accessed September 19, 2022.

¹³⁸ Citi GPS, "[Philanthropy and the Global Economy: Opportunities for a World in Transition](#)," November 2021.

¹³⁹ This is not a claim that philanthropy can entirely replace state spending.

Digital asset owners have a significant incentive to donate directly in digital assets rather than converting to fiat currency and donating the cash — namely, minimizing capital gains taxes. In the U.S., the Internal Revenue Service (IRS) classifies digital assets as property, meaning donating digital assets is similar to donating stocks. Similarly, in the U.K. a 2019 statement concluded that digital assets should be considered property meaning digital asset gifts in the U.K. are eligible for capital gains tax relief.¹⁴⁰ The Giving Block sees an education gap here: Donors do not know they can benefit from tax exemptions if they choose to donate in digital assets. Pat Duffy and Alex Wilson, Co-Founders of The Giving Block, noted that: *“Giving cash instead of appreciated crypto is one of the most common mistakes we see donors make. Donating appreciated cryptocurrency (and other non-cash assets like stocks) can save the donor capital gains taxes and increase their charitable deduction by roughly 30%. For non-profits and donors familiar with the benefits of donating stocks, donating cryptocurrency is practically the same from a tax perspective. Think of it as giving pre-tax money similar to how you fund a 401-K account.”* As this education gap closes, digital asset donors may prefer to give those assets, presenting an imperative for non-profits to accept these assets to preserve their donor base.

Digital asset owners support distinct causes

Digital asset giving looks different to the broader field of philanthropy

While digital asset giving might hold the key to increasing the stock of philanthropy, at least for now, this corner of philanthropy looks different to the broader field. Emerging indications suggest that digital asset donors currently differ from the broader public in the causes they support. Second, at a practical level, it may only be larger charities — with greater knowledge of and expertise in technology — that can access digital asset donations at least in the shorter term.

First, there is very little data available on which causes digital asset donors support. A preliminary indication can be derived from data presented by The Giving Block on donations made to their Impact Index Funds between November and December 2021. This is just two months of data, and it is a small portion of the total digital assets donated through The Giving Block: Their Impact Index Funds raised around \$800,000, i.e., 1% of the donations processed by The Giving Block in 2021. These funds, which bundle together non-profits that accept donations through The Giving Block with similar missions, are one of the only indicators of which causes digital asset donors support. Hence, while there is need for more research to understand the causes supported by digital asset donors, we can draw limited conclusions from this data available in the meantime.

Digital asset donors disproportionately support animal welfare and the environment

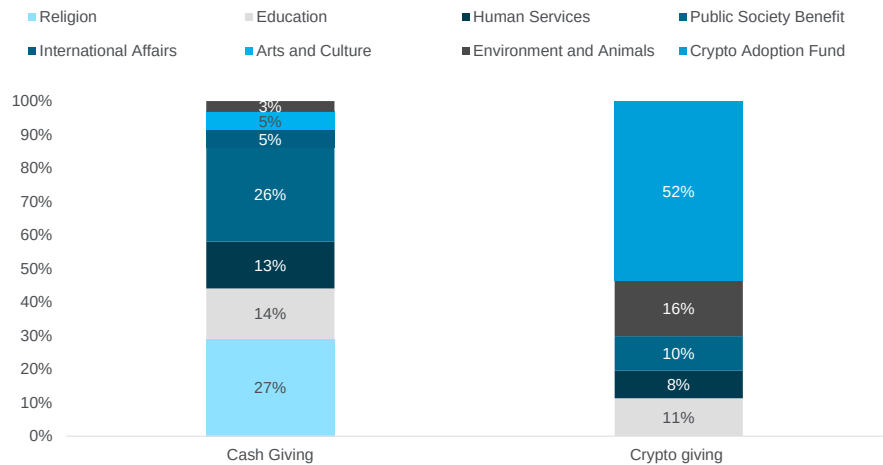
Early data indicate digital asset donors are more likely to support environmental causes than the average donor...

Data from The Giving Block show the three leading causes among digital asset donors in 2021 were education (which received 23% of Impact Index Fund donations, excluding the Crypto Adoption Fund, in 2021), animals (18%), and the environment (14%). We have previously noted that education is a leading cause for philanthropists. However, the prevalence of environmental and animal-related causes is a marked difference from the broader field. By comparison, in the U.S. in 2021, the environment and animals accounted for just 2% of total charitable giving.

¹⁴⁰ Neasa Coen, “Cryptocurrency for Charities – Risk or Opportunity?,” *IFC Review*, July 28, 2021.

This likely reflects the demographics of digital asset ownership, in particular the over-representation of younger groups, since younger cohorts are more likely to see addressing climate change as a priority. In a survey by Pew Research Center, 54% of those aged 18 to 29 identify climate change as a top priority for the president and Congress to address in 2022, compared with 36% of those aged 50-64 and 39% of those aged over 65.¹⁴¹ This age profile might in part account for the focus of digital asset owners on these causes.

Figure 29. Donations in Digital Assets Follow a Very Different Pattern by Cause Compared With Cash



Note: The Giving Block Cause Funds are not the same as the categories in which the Giving USA data are published. We have aligned the two using the National Taxonomy of Exempt Entities classification as a guide. Source: The Giving Block (2021) and Giving USA (2021)

The preoccupation of digital asset donors with animal welfare charities can also be corroborated by anecdotal evidence. For example, Pawthereum, a project that in its own words, aims to put “animal welfare at its core” with financial support and digital advocacy, has so far donated more than \$478,700, as of September 2022.¹⁴² While this is small in the context of philanthropic giving, a donation the group made to the Edinburgh Dog and Cat Home in Scotland is the largest known gift of digital assets in the U.K. The gift totaled \$118,000 plus an ongoing commitment of \$2,000 per month.¹⁴³ This echoes the interest of digital asset donors in animal welfare causes.

...which is surprising as digital assets have a tarnished reputation when it comes to environmental impact

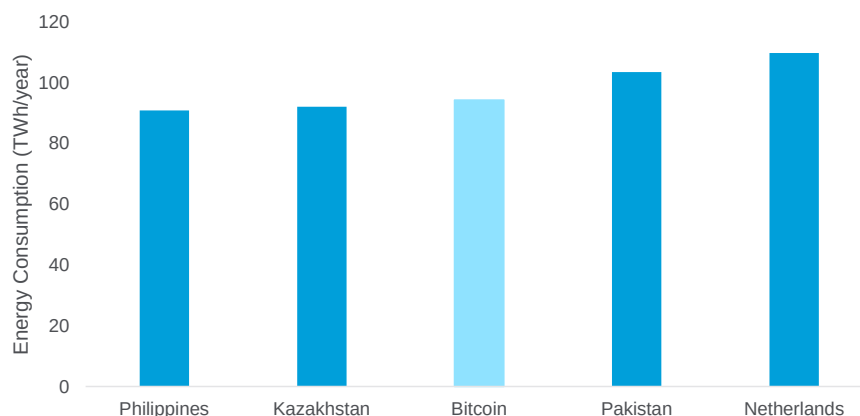
¹⁴¹ Katherine Schaeffer, “For Earth Day, Key Facts about Americans’ Views of Climate Change and Renewable Energy,” Pew Research Center, April 22, 2022.

¹⁴² Pawthereum, *Pawthereum Whitepaper*, June 2022; Pawthereum, “[Animals Get Saved](#),” accessed September 19, 2022.

¹⁴³ Melanie May, “Edinburgh Dog and Cat Home Receives \$118,000 Cryptocurrency Donation,” *UKFundraising*, November 17, 2021.

Yet, the outsize contribution to environmental causes is surprising. Digital assets based on Proof-of-Work (PoW) consensus algorithms (e.g., Bitcoin) that rely on computational work for validating transactions are often criticized for their high energy usage. As of September 8, 2022, total energy consumed by Bitcoin was estimated at 94.3 Terrawatt hours per year — putting it on par with some mid-sized countries, according to data from the Cambridge Centre for Alternative Finance and the U.S. Energy Information Administration (Figure 30).¹⁴⁴ Given this, it is surprising, first that environmental charities should accept donations of digital assets, and second that donors should have such an interest in the cause.¹⁴⁵ We note those engaged with the digital asset ecosystem have defended this energy consumption in various ways, including comparison with the energy consumption of other industries (including banking), as well as innovative ways to create more environmentally friendly blockchains, increased use of renewable energy, and most recently by double carbon offsetting donations. It is also worth noting that digital assets based on other consensus algorithms, such as Proof-of-Stake (PoS), are significantly more energy efficient as they do not need intensive computing power to prove trustworthiness and instead rely on the stake that each node posts to become eligible for voting. The majority of the new digital assets coming online are based on PoS consensus. The Ethereum Merge in September 2022 marks the transition of Ether from PoW to PoS consensus, which amongst other things, improves Ethereum's energy efficiency by at least 99%.¹⁴⁶

Figure 30. Bitcoin Consumes as Much Energy as Some Countries



Source: Cambridge Bitcoin Electricity Consumption Index (2022). As of September 8, 2022.

Some non-profits have faced challenges in trying to fundraise from digital asset owners

While the outsized interest in environmental charities among digital asset donors might indicate a significant fundraising opportunity for these charities, there has been controversy over these groups engaging with the digital assets ecosystem. For example, the World Wildlife Fund in the U.K. had to terminate an NFT-based campaign to generate funds for its conservation work after supporters objected to the environmental impact of digital assets.¹⁴⁷

¹⁴⁴ Cambridge Centre for Alternative Finance, "[Cambridge Bitcoin Electricity Consumption Index](#)," accessed June 29, 2022.

¹⁴⁵ As we discuss below, the decision for environmental causes to accept donations of digital assets has not been without controversy.

¹⁴⁶ Carl Beekhuizen, "Ethereum's Energy Usage Will Soon Decrease by ~99.95%," Ethereum Foundation Blog, May 18, 2021.

¹⁴⁷ Connor Sephton, "WWF Pulls Plug on Non-Fungible Animals after Backlash," CoinMarketCap, February 7, 2022.

The charity had intended to sell NFTs linked to endangered species, but the initiative generated backlash on social media and prompted such outrage among existing donors, with some even threatening to cancel their regular donations, that the campaign was terminated.¹⁴⁸ Accepting digital assets can be viewed as an endorsement of an ecosystem that some consider at odds with the stated mission of the charity and risk alienating existing donors. This indicates the importance of engaging with existing supporters before adopting the digital asset ecosystem. Failing to do so can result not only in failing to capitalize on the opportunity presented by donations of digital assets, but even turning existing donors away.

Digital asset donors prioritize cause-agnostic funds

Digital asset donors may aim to promote digital asset adoption as much as supporting particular causes

The most striking element of digital asset causes outlined in Figure 29 is that the Crypto Adoption Fund accounted for 52% of all donations. This fund, which allows donors to support all pro-crypto non-profits registered with The Giving Block, also has a higher average donation value at almost \$15,000 versus \$5,000 for all Impact Index Funds.¹⁴⁹ The significant support for this fund suggests that digital asset donors aim to support all charities engaging with the ecosystem, rather than particular causes.

Other donors in the ecosystem also set their charitable aims around encouraging crypto adoption. For example, GiveCrypto, the foundation established by Coinbase in 2018, aims to promote the adoption of cryptocurrency and the growth of the digital asset ecosystem. It has three broad categories of operation, the first of which is increasing education around and access to crypto.¹⁵⁰ An element of this may be self-serving: Catalyzing the growth of the digital assets ecosystem may involve increases in the value of digital assets, which benefits those that hold them. Of course, this is not a novel objection: Some have considered philanthropic giving to be self-interested for millennia.

Addressing the Digital Assets Ecosystem Is an Opportunity for Larger Charities

Charities face three challenges in addressing the digital asset ecosystem

While all charities may eventually come to accept digital assets, in the short term, larger charities may be better prepared to access this new modality of giving. We see three driving factors here:

¹⁴⁸ Chloe Farand, "WWF-UK Faces Backlash over Plan to Sell NFTs to Fund Conservation Work," Climate Home News, February 2, 2022.

¹⁴⁹ The Giving Block, *Annual Report 2021*, February 2022.

¹⁵⁰ Coinbase Blog, "[Coinbase Giving: How We Are Operationalizing Our Commitment to Pledge 1%](#)," May 3, 2021.

1. **Knowledge and Experience Gap Especially Among Smaller Charities:** The digital asset ecosystem might be inaccessible for those without knowledge and experience of it. Addressing the digital asset ecosystem meaningfully requires expertise not only around what these assets are and where they can be spent or converted into fiat currency (much of which can be taken care of by intermediaries, some of whom charge a low single digit percentage brokerage fee), but also around how to effectively fundraise from a digitally-native community.¹⁵¹ As Pat Duffy and Alex Wilson, Co-Founders of The Giving Block, noted: *"When we work with non-profits, we don't just teach them how to fundraise cryptocurrency, we teach them how to fundraise from younger donors in general, who happen to really like giving cryptocurrency. We view this opportunity as a new donor demographic for non-profits, not a new donation method."* This requires upskilling marketing and fundraising professionals as much as finance and accounting divisions. This may be a challenge for the long tail of small charities with fewer staff and smaller budgets. Charities receiving donations in digital assets that eventually need to be converted into fiat currency for purchase of good/services off-chain, also expose these organizations to significant price volatility.
2. **Anti-Money Laundering, "Know Your Donor" Requirements, and Sanctions Compliance:** Charities should know the origin of donations to be sure that they are not receiving, for example, the proceeds of crime. The digital asset ecosystem is radically transparent, and this could allow greater confidence in the provenance of donations. However, the digital asset ecosystem also permits pseudonymity — in the example of Pineapple Fund, the donor is known only as "Pine," which is tantamount to anonymity. Of course, anonymous donations are not new, but they are usually made through a third party that is able to verify the identity of the donor and the source of their funds. The expansion of anonymity to all donors may create a significant due diligence burden for charities, which only larger charities can readily meet. Additionally, charities need to set up regulatory frameworks for sanctions compliance and screening to ensure digital assets are not misused to evade sanctions.
3. **Trustee Skills Gap Weighs on Their Fiduciary Duties:** Trustees have a fiduciary duty to the beneficiaries of the charity, fulfilling which requires responsibly investing the assets of the charity. Trustees of organizations, which start to accept digital assets, will need to consider whether holding these assets represents the best interests of the charity or whether they should be converted immediately to fiat currency. However, trustees may have limited understanding of this novel asset class and may be under-skilled in evaluating the risks and opportunities that such investments present. This will be particularly acute given the volatility digital asset prices.

None of these challenges are insurmountable, but they do indicate, at least in the short term, that digital asset giving may disproportionately route donations to larger charities.

¹⁵¹ Tina Roh, "Cryptocurrency for Nonprofits: Best Ways to Accept Donations in 2022," Every.org, January 6, 2022.

Digital assets could have a far more fundamental impact on philanthropy than only a new revenue source

Digital Asset Donations Alter the Practice of Philanthropy

Digital assets and the technologies that underlie them open up novel possibilities for the practice of philanthropy, far beyond converting digital asset donations to fiat currency upon receipt. As Jussi Kivipuro, Finance Manager at UNICEF's Office of Innovation, put it: *"From art to gaming, or memorabilia, digitized assets have and can be traded to deliver real-time, real world impact. Beyond the transactional opportunities these assets offer, people are taking part in a digital community and defining their role in the chain of social development. As these communities grow, at UNICEF we look to co-creating and scaling exceptional solutions to some of the most challenging global issues facing children today."*

We argue that "crypto-philanthropy," which we define as greater engagement with the digital assets ecosystem than merely accepting donations of digital assets and converting into fiat, capitalizes on some of the virtues of digital assets. There are many examples of this: A growing number of organizations have piloted the deeper integration of cryptocurrencies and the technologies that underlie them, especially in the context of humanitarian aid. One example is the case study from Mercy Corps and Binance Charity, which illustrates the potential of blockchain technologies and bespoke tokens to assist in direct cash giving programs.

Case Study: Field Trials of Blockchain-Enabled Cash Transfers in West Nile, Uganda — Lessons Learned From Field Technology Testing



Over the past few years, refugee settlements in Uganda have been growing rapidly, largely due to the influx of people from neighboring South Sudan. As a result of civil war, over a million refugees have been forced over the border since 2016. South Sudanese refugee settlements are mainly concentrated around the nearest entry point to Uganda, a remote rural area in the West Nile sub-region of northern Uganda. Bidibidi (Yumbe District) is one of the largest refugee settlements in the world, with over 280,000 South Sudanese refugees. Humanitarian intervention in Bidibidi includes cash transfer programs to support basic material needs of the refugees. While the cash program has been mostly successful under various humanitarian emergencies, the logistics for implementation are often complex, requiring various checks and monitoring for equitable disbursement and transparency. Emerging technologies for financial inclusion are considered promising to address the hurdles associated with cash transfer programming, especially under crisis situations where timely disbursement and access to basic needs are critical.

It is in this context that Mercy Corps Uganda, with funding from Binance Charity, piloted the use of blockchain-enabled technology for cash transfers. Binance Charity is the philanthropic arm of cryptocurrency exchange Binance. The pilot targeted 366 households consisting of approximately 2,200 South Sudanese refugees and Ugandan micro-entrepreneur households in the Yumbe District. Transfers were based on the Uganda calculated minimum expenditure basket (MEB) for a period of four months and intended to cover basic needs, non-food items, and goods for income generating activities. The pilot was designed to test the theory that blockchain-enabled digital tokens could be used for value transfers under field conditions and that such usage would save costs, improve auditing, and enhance compliance. The program design looked to create a digital token, similar to a voucher, which could only be exchanged with a pre-selected group of vendors who would offer goods and services to participants in return for the tokens.

With blockchain-based payments, beneficiaries can determine how much they want to spend and send money directly to the vendor without needing to reveal payment account information. The blockchain, via the relevant block explorer, provides an auditable data trail that allows near real-time tracking of the movement of funds and eases the burden of reconciliation. There is a relatively low transaction cost for small as well as large transfers. In the current trial, the cost per transaction was 0.000375 Binance Coin (BNB) —less than 15 cents. With the use of digital currencies, it is not necessary to outsource payment to third parties and pay for related administrative and transfer costs. Direct disbursements help reduce privacy risks, auditability risks, potential loss risks, and speed time to deliver aid.

The pilot identified several challenges, including those encountered during the actual program implementation and in the audit and reconciliation process. Given that all transactions during the market day required 4G or Wi-Fi connected phones, this caused delays during the initial pilot, despite having set up a mobile Wi-Fi device. In response, Mercy Corps tested market day locations ahead of time to ensure strong connection and informed households they needed to purchase data on their phones the day prior to the market to receive tokens ahead of time. Mercy Corps also reminded households to do this during the mobilization the day before the market day. During the pilot, some households did not have phones that were compatible with Trust Wallet. With approval from Binance Charity, Mercy Corps provided subsidized Fero phones to 37 households. During the first distribution, program participants were prompted to scan QR codes to make purchases. The combination of poor cameras on the participants' phones and glare created challenges in capturing the QR code. In addition, the addresses for all vendors were saved on Mercy Corps' staff phones, so they could SMS the address to households struggling to capture the QR code.

Blockchain is relatively unknown in the Ugandan context; however, there was instant buy-in from stakeholders including program participants, vendors, local leaders, and refugee leaders. The Office of the Prime Minister (OPM) in charge of Bidibidi camp and the UN High Commissioner for Refugees field staff were enthusiastic to accept the new technology. In future programs, data collection could be streamlined and consolidated with what is available from the blockchain. This would reduce the burden on implementing organizations and field teams, while still ensuring accurate data capture.

Reflecting on the pilot, Helen Hai, Head of Binance Charity Foundation said: *"we were so excited to pilot the 'Humanity First Token' with Mercy Corps. Pegged to the Uganda shilling and powered by blockchain technology, the digital wallets help include refugees in the financial system, both now and if they choose to return home. Crypto is borderless and so is humanity."*

The case study above illustrates the potential for digital assets and the technology that underlies them to transform the practice of philanthropy. However, crypto-philanthropy (as we defined it above) could also alter the donor-recipient relationship in two ways:

1. Transparency allows donors to encode and enforce restrictions on the use of the donations that they provide, and this allows donors to accumulate even more power than traditional giving.
2. The radical transparency of digital asset transactions removes the requirement for trust between donors and recipients, which presents an opportunity in the context of declining trust in non-profit organizations.

Crypto-philanthropy opens up the possibility for radical transparency

Crypto-philanthropy stands to significantly increase transparency in philanthropic giving

We noted above that transactions in digital assets are recorded on a "blockchain" — a public digital ledger — and this makes digital asset donations transparent. They are easy to trace and difficult to retrospectively alter. This has been lauded as one of the principal virtues of digital assets. If digital asset donations are immediately turned into fiat currency, transparency is limited. However, if the charity (or an individual) receives digital assets and spends in cryptocurrency, donors can see what charities are buying and from whom.¹⁵²

This is notable for two reasons: First, setting aside the challenges we discuss below, increased transparency stands to alleviate the burden of reporting requirements. If donors could see where their funds were being spent through the infrastructure of the payment system, recipients would not need to spend time (and resources) tracking and reporting on their spending. Indeed, even the use of funds given for general operating support could be tracked, providing a level of detail on spending which has not previously been available. Innovations in crypto-philanthropy are unlocking this transparency across the philanthropic value chain, from donation to use of funds (see Figure 31).

¹⁵² We ignore here the lack of spending opportunities and infrastructure to make purchases in digital assets.

Figure 31. Innovations Seek to Unlock the Potential for Transparency in Crypto-Philanthropy

	Collaborators	Description
AidCoin	CharityStars, AidCoin	Ethereum-powered token aiming to be the preferred method of donation for transparent giving on the Ethereum blockchain.
HumanityToken	DECENT, Token4Hope, Collective Energy, Hilfswerk	Donation platform allowing distribution among economically vulnerable individuals while allowing donors to track how their gift has been used — including restricting spending to certain authorized goods, including food, shelter, and healthcare.
Giftcoin	Promise	A cryptocurrency designed to give donors greater confidence in where their gifts are spent and help charities build trust through transparency.

Source: Citi GPS, Howson (2021)

Take one example from Figure 31: AidCoin, a token that can be purchased with a range of cryptocurrencies, describes itself as playing “a leading role in the new era of fundraising.”¹⁵³ As well as facilitating digital asset donations, AidCoin incentivizes charities to spend with their suppliers to generate transparency and allow donors to track how their funds are spent. Keeping donation and spending within the digital asset ecosystem allows transparency. However, while some innovations in crypto-philanthropy allow donors to set restrictions on how funds can be spent, some research suggests that unrestricted cash giving is more effective.¹⁵⁴

Many such innovations could be attractive to crypto-philanthropists to the extent that they unlock the potential for radical transparency. Digital asset donors do seem to prioritize transparency. For example, the largest individual donation from Pineapple Fund (described above) was a \$5 million grant to GiveDirectly, a charity which puts cash directly in the hands of recipients and is recommended by GiveWell on account of its standout transparency.¹⁵⁵ However, this level of transparency stands to reshape the philanthropic landscape in two ways: by shifting power towards donors and by circumventing the need for trust in non-profit organizations.

Facilitating enhanced transparency shifts power towards donors

First, some of the innovations described above make it easier for donors to set requirements on the use of their donations. For example, Promise describes itself as using the power of blockchain to make clear the impact of charitable giving and track how funds are spent.¹⁵⁶ Projects are designed by charities and broken into milestones. As a charity achieves each milestone, the funds are released for the next one. Their token Giftcoin (launched in 2017) aims to help donors understand the impact of their money, even notifying them when their funds are spent.¹⁵⁷ As a result, donors can take confidence, knowing that their money achieved what they thought it would.

Increased transparency could result in donors accumulating yet more power

¹⁵³ AidCoin, “[FAQ](#),” accessed September 19, 2022.

¹⁵⁴ Citi GPS, [Philanthropy and the Global Economy: Opportunities in a World of Transition](#), November 2021.

¹⁵⁵ GiveWell, “[Give Directly – November 2020 Version](#),” accessed September 19, 2022.

¹⁵⁶ Promise Giving, “[Charitable Giving with Impact Guaranteed](#),” accessed September 19, 2022.

¹⁵⁷ Chloe Green, “Giftcoin Brings Blockchain Technology to Charities for Greater Transparency,” Charity Digital, November 15, 2017.

A whitepaper from Giftcoin describes how its end-to-end innovation goes much further than only using digital assets to donate. It suggests that merely donating digital assets under-leverages the technology on which crypto-philanthropy is built.¹⁵⁸ Its model certainly goes much further, but not everyone has been receptive to the idea and the transparency it creates. For example, Dr. Pete Howson describes this as “surveillance philanthropy.”¹⁵⁹ Dr. Howson noted in conversation that in this kind of giving *“the funds are pulled back to the donor automatically if the recipient charity doesn’t do exactly as they said they would.”* In a 2021 paper, he argues that setting these conditions on donations results in charities losing flexibility to respond to needs as they arise. Imposing restrictions comes at the price of flexibility.

This also exacerbates the power that donors have in the charitable ecosystem. Donors already have significant power from choosing which charities to support through to (at least for those donating large amounts) setting restrictions on how their funds must be spent. Some innovations in digital asset giving allow restrictions to be set even on smaller donations and to be enforced automatically, increasing the power that donors have over the funds they give. Further, some of the initiatives listed in Figure 31 do give directly to individuals — for example, Humanity Token gives to individuals with restrictions on what the token can be used to purchase. In these cases, it is not only power but privacy that is at stake: first, whether beneficiaries would like to disclose the fact that they are recipients of these donations; and second, whether they would like their spending decisions to be quite as transparent as some innovations allow. This is to say nothing of the paternalism inherent in restricting how individuals can use the funds given to them.

Increased transparency circumvents the need for trust

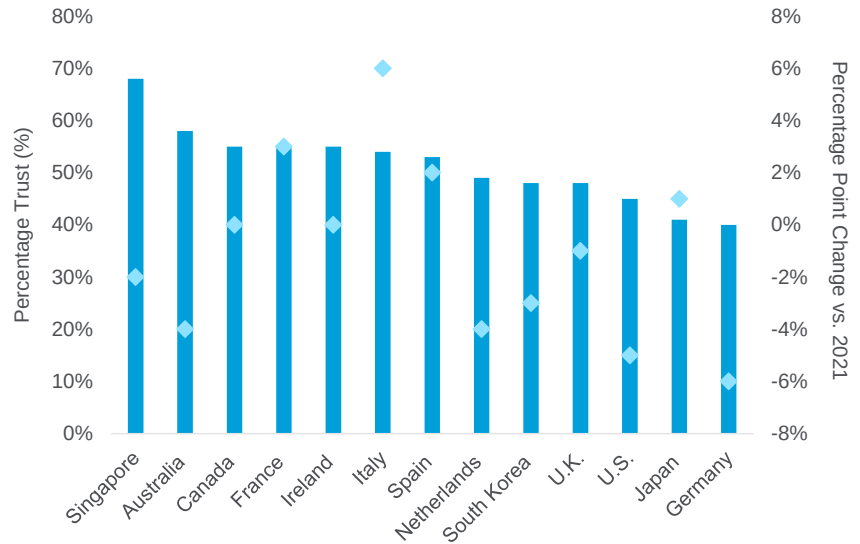
Crypto-philanthropy removes the need for trust between donors and recipients

Alongside a shift in power, crypto-philanthropy allows charities to circumvent the need for trust between donors and non-profits. Charities have historically had to build trust among their donor base to receive donations. This has presented difficulties in recent years — the Edelman Trust Barometer for 2022 showed that in many developed markets with a high level of philanthropic giving, trust in NGOs was low and, in some cases, falling (see Figure 32). Dr. Pete Howson argues this decline in trust paves the way for crypto-philanthropy. He noted that *“a lot of charities now are turning to blockchain as a way of improving their image, making themselves more transparent and trustworthy and showing to their donors that the money they promised to spend on food for donkeys, or shoes for orphans, actually went to those good causes.”*

¹⁵⁸ Giftcoin, [“The World’s First Cryptocurrency for Charitable Giving and Good Causes,”](#) PDF, accessed September 19, 2022.

¹⁵⁹ Peter Howson, “Crypto-Giving and Surveillance Philanthropy: Exploring the Trade-Offs in Blockchain Innovation for Non-Profits,” *Non-Profit Management & Leadership*, Vol. 31, No. 4, December 2020.

Figure 32. Trust in Charities Was Low and Declining in 2022



Source: Edelman Trust Barometer 2022

However, crypto-philanthropy does not strictly improve trust between non-profits and their donors. Instead, these technologies obviate the need for trust: Donors do not need to trust that the charity will do as it says, or even that its programming will be effective, because they can instead trust the authenticity of transactions recorded on a blockchain and that funding will not be released before the conditions encoded in the donation are met. This is a significant shift and, notably, these innovations seem to work against the trend, discussed in the previous chapter, towards greater trust between foundations and grantees, including the shift towards trust-based philanthropy.

In sum, then, donations of digital assets stand to have a significant impact on the philanthropic landscape. First, digital asset owners constitute a new donor base for non-profits because ownership is clustered among young men, who do not typically give. The digital asset giving corner of philanthropy looks different to the broader field of philanthropy in the causes it funds. However, crypto-philanthropy might bring an even more significant shift to the practice of philanthropy by changing the nature of the relationships and the balance of power between donors and recipients.

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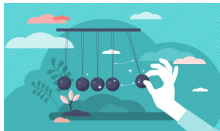
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Global Supply Chains
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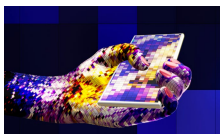
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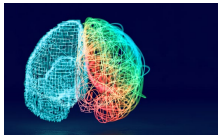
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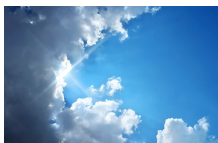
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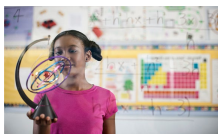
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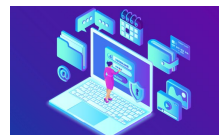
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Key Insights regarding the future of Philanthropy



CURRENCY

Charitable receipts historically have been limited to cash and checks as well as long-term appreciated assets, including stocks, bonds, or mutual funds. / **Non-profits are increasingly accepting donations in digital assets — both cryptocurrencies and non-fungible tokens (NFTs).** While only a small portion of overall donations today, digital asset donations could grow the donor base and total stock of philanthropy.



SHIFTING WEALTH

The bulk of monetary giving in traditional philanthropy comes from the U.S. and those donors are more likely to be female, married, and aged over 35. / **As cryptocurrency makes inroads into philanthropy, the donor demographics are likely to change as cryptocurrency owners are primarily younger men.**



SUSTAINABILITY

Philanthropy and investment have long been unconnected as distinct, unrelated pursuits. / **Philanthropy no longer needs to work alone in achieving the positive social impact it has historically sought. Moreover, investing for positive impact can also generate market rate financial returns and philanthropy can help mobilize assets into impact investing.**



