A Twenty Something Perspective: Seven Ideas on Leadership in Philanthropy

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Context

In late 2017 Tara Kenny started an exploration of the most compelling ideas, strategies and philosophies in philanthropy in the US and globally in 2018. This document provides a snapshot of her key findings, gathered from her base in New York through discussions with philanthropic leaders and by conducting an extensive literature review.

In an effort to include diverse perspectives and provide a broad overview of the sector, Kenny engaged staff from prominent, established foundations such as Ford and Rockefeller, as well as voices from more radical, activist aligned organisations, such as FRIDA Young Feminist Fund and the Social Change Initiative, plus a mix of donors, academics and consultants.

While this research is primarily US focused, examples are compelling and relevant globally. All research was conducted with a view to applying findings within an Australian context.

As a 20-something Australian with a background in communications, research and nonprofit work, but no family or personal involvement in philanthropy, Kenny sought to understand the sector from a next gen, outsider perspective. She offers this report as an insightful and accessible reflection on progressive thinking in contemporary philanthropy, and hopes it reflects the energy and nuance of the many conversations she was lucky enough to partake in.

Over the course of the six months, Kenny explored many and varied ideas, challenges, and trends in contemporary philanthropy. Out of these, she identified seven key themes:

- **The Next Gen Influencing Donor Identity:** How next gen donors are finding, clarifying and influencing personal and collective donor identity in order to guide giving.
- **Collective Giving:** Giving smarter by building partnerships and using structures for giving and learning with others.
- **Participatory Philanthropy and Participatory Grantmaking:** Challenging power dynamics within philanthropy, sharing power, and utilising community knowledge.
- **Impact Investing:** Ethical investing, blending the lines between philanthropy and investing, and outcomes and data driven philanthropy.
- **Supporting Grassroots Activism and Social Change:** Supporting the trailblazers of systems change in nonprofits and social change movements.
- **Investing in Human Capital:** Building the effectiveness and capacity of agents for change.
- **Partnerships and Convening:** Facilitating and engaging in partnerships across the nonprofit, private and government sectors.

The Next Gen Influencing Donor Identity

Who are the next gen? Young philanthropists in their 20s and 30s who have inherited family wealth or made their own fortunes, often as tech or finance entrepreneurs. They are typically more risk taking, more involved, and more eager to see the impact of their giving than their predecessors. Alongside young people of wealth, next gen entrepreneurs, social change leaders and foundation staff are shaping the current and future direction of philanthropy.

What is donor identity? An individual or foundation's approach to giving, as informed by culture, values, interests, and strategy. Clarifying donor identity makes for more focused and impactful philanthropy, and next gen donors are bringing forward major influence in donor culture, common through family foundations and other giving structures.

"A lot of advisors start with a mission statement, but when dealing with families we start with values. If you start with mission, families often end up arguing because one person wants to fund education and the other wants to fund climate change, then you're stuck. If you can think about what you value, what kind of world you want to invest in or leave for the next generation, that makes it easier to then sort out the program areas within that shared vision." – Sharna Goldseker, 21/64 New York.

Managing the Transfer of Wealth by Understanding Donor Identity

The current generation of wealthy young people are the benefactors of the largest transfer of concentrated wealth in history, with an estimated $59 trillion set to move across generations between 2007 and 2061[1]. This carries significant opportunity for greater and more impactful giving, which is particularly urgent given the increased social inequality it also heralds.

Older givers are tasked with instilling the value of philanthropy in their next of kin, and ensuring their knowledge and experience is passed down. This is crucial not only for philanthropists themselves, but for the nonprofit sector that depends on their continued support. To successfully mentor younger family members, it's useful for donors to understand and articulate their own motivations for giving.

"What's your foundation's culture? What's the family's appetite for social change? For being visible, or out front? For funding contentious activism? Even if there's no comfort level with carrying the flag, you can fuel the march in really progressive ways," says New York based philanthropic consultant Dara Major, who recommends clarifying donor identity before making strategic funding decisions.

[1] Sharna Goldseker and Michael Moody, *Generation Impact: How Next Gen Donors are Revolutionizing Giving*, (Wiley, New Jersey, 2017), 25.

She also highlighted the risks for those who fail to do this: "Donors often get excited about the hot new thing, and decide to fund an activist organisation. Then the organisation goes and does something activist and the donor recoils."

Michael Moody is co-author of *Generation Impact: How Next Gen Donors are Revolutionising Giving*, published in 2017, and Frey Foundation Chair at the Johnson Center for Philanthropy in Michigan. He defined "donor identity" along two common lines.

"Donor identity is generally either values based (what you're passionate about, the changes you want to see in the world) or strategy based (investing in brick and mortar projects, giving to small organisations, place based giving)."

Donor Identity, Next Gen Donors and Family Foundations

Moody recommends capturing the intent and legacy of a family's philanthropy by recording discussions between family or board members, or writing a letter detailing why the foundation was established, why giving is important to the person or family, and what they have found rewarding about their experiences. Foundations often fail to do this because they don't want to be too prescriptive or just don't get around to it. This makes it harder for the next generation to continue their legacy, and is a wasted opportunity to capture and share learnings.

Family foundations that do not have well established traditions or a clear vision for their future can benefit from including younger family members in conversations about donor identity. Many family foundations are choosing to include the next generation early on, rather than wait until the current board are ready to step down[2]. A multi-generational approach has myriad potential benefits. Young, fresh perspectives encourage new approaches; the process can be immensely rewarding for families; and early exposure reduces the risk that younger family members will struggle to adapt when tasked with unfamiliar responsibilities later on.

One way to indoctrinate young people into philanthropy is by inviting them onto family boards, or allowing them to listen in and ask questions without the responsibility of decision making. Another approach is to allocate younger family members a small pool of money to gift. For this to be a meaningful experience, it's important to signal that their decisions matter and have repercussions, and to take them seriously as the future leaders of the foundation.

"Done well, this includes assistance from advisors, mentorship from older family members, and a requirement that they present their process and outcomes to the board. Done poorly, this will feel like a secondary and less important kids' table," advises Moody.

[2] Goldseker and Moody, *Generation Impact*, 193.

New Ideas from the Next Gen

Increasingly, budding young philanthropists can learn outside of family vehicles. Next generation donor networks provide connections and education, and peer giving circles bring young donors together to commit a set amount of money and collectively decide how it is gifted. These structures provide an opportunity to explore and defend philanthropic interests[3], which is often useful for later communications within families.

One of the more radical examples is Resource Generation, a network of young people with wealth and class privilege across the US who engage in community building, education, and organising towards the equitable distribution of wealth, land and power.

Holly Fetter is a Resource Generation member who cites the organisation as pivotal to her journey from politically active university student with a sense of shame and discomfort around her privilege, to engaged donor who harnesses her resources, networks and knowledge to support grassroots movements.

Resource Generation's commitment to racial justice, support of social change movements, and critique of the power structures that sustain philanthropy are reflective of a general willingness amongst next gen donors to take on contentious issues and challenge the sector's norms.

While cautioning against making generalisations about the preferred cause areas of an entire generation, Philanthropy Australia CEO Sarah Davies notes, "Younger philanthropists tend to seek greater involvement in contemporary issues such as climate change, marriage equality and the plight of refugees and asylum seekers. That's not to say that they're not interested in education or social welfare – they just tend to have a clearly defined goal in mind for their giving[4]."

According to Davies, next gen donors are also likely to expect clearly articulated impact from nonprofits, and are often interested in applying business acumen to philanthropy through investments in social enterprises or by adopting impact investing models[5]. Another aspect of the next gen mindset is the growing awareness that you don't have to be a young person from wealth to influence philanthropy; social entrepreneurs, activists, community leaders, foundation and nonprofit staff, academics, and others all have a role to play in shaping thinking and behaviour around next gen giving.

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[3] Goldseker and Moody, *Generation Impact*, 144.

[4] Sarah Davies, "Next-gen donors: What you need to know", *Philanthropy Australia,* accessed June 4 2018, < http://www.philanthropy.org.au/stories-next-gen-donors/>

[5] Davies, "Next-gen donors".

Collective Giving

What is collective giving? The process of a group of individuals or foundations coming together to pool their resources and give collectively to maximise impact and learning. Collective giving models include online crowdfunding, giving circles of various sizes (often hosted by community foundations), and funder collaboratives between foundations or big donors.

"People create funding circles or collaboratives for varied reasons. Sometimes it's so we can give money to things that are bigger than any of us can take on alone, sometimes it's because we're too busy to learn about it, sometimes it's to take risks that feel too great to want to do by ourselves....Most of the time they're created for the purpose of getting more dollars to an issue," – Jason Franklin, Johnson Center for Philanthropy.

Collective Giving Models: Crowdfunding, Giving Circles, and Funder Collaboratives

Crowdfunding platforms such as Kickstarter, Gofundme, Pozible and DonorsChoose provide countless nonprofit projects and social entrepreneurs a direct line to fundraise from the general public. Traditionally these platforms have relied on numerous small donations to meet campaign targets, but large gifts are on the rise. In March 2018 DonorsChoose.org, a US crowdfunding platform where public school teachers request funds to cover modest costs for things like field trips and stationery, received a $29 million dollar cryptocurrency donation from San Francisco crypto pioneer Ripple[6].

Giving circles consist of five or more donors who come together to pool funds and possibly fundraise from within their own networks in the hope of having a greater impact than any member could achieve alone[7]. Generally they require a minimum financial commitment, although it can be as little as $25-$100 a month for citizen giving circles. Giving circles often operate as sub-funds of community foundations, while smaller groups may collectively decide who to support but donate individually, rather than move their money through a shared vehicle[8].

Community foundations are useful facilitators of collective giving because they are able to attract fund members and donations from within their networks, perform administrative, due diligence and grantmaking duties, and allow for tax deductible donations to be made. Because they are designed to serve specific geographic areas, they are well placed to help donors of all means find the best outlet for their giving within their community.

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[6] Drew Lindsay, "Cryptocurrency Giants $29 Million Gift Funds Every Request on DonorsChoose.org", *The Chronicle of Philanthropy*, March 28, 2018, <https://www.philanthropy.com/article/Record-Donation-to/242946?cid=pt&utm_source=pt&utm_medium=en&elqTrackId=8634d6a2ec854a1b850bda9dfdacd47d&elq=8704a5c6d1ce43c493cc29a6b1e3565c&elqaid=18406&elqat=1&elqCampaignId=8250>

[7] "Study: Collective giving and its role in Australian Philanthropy", Philanthropy Australia, accessed March 6 2018, <http://www.philanthropy.org.au/about-us/collective-giving-and-its-role-in-australian-philanthropy/>

[8] "Study: Collective giving", Philanthropy Australia.

In the US, giving circles have tripled in number since 2007, and have collectively given an estimated $1.29 billion dollars over their lifetime[9]. While giving circles have been operating in Australia for less than a decade, over a third of respondents to Giving Australia's 2016 Philanthropy and Philanthropists survey reported participation in collective giving on top of their individual or foundation giving[10].

Funder collaboratives are comprised of big donors who have the capacity for significant individual impact, but recognise that they will be more powerful working together and will likely enjoy the process more too. For example, the Co-Impact collaborative, which counts Bill and Melinda Gates and the Rockefeller Foundation as core partners, is set to invest $500 million dollars to improve global health, education and economic outcomes.

Complimentary to collective giving models, donor networks offer community building and education but do not require members to give together. Many groups focus on geographical or place based giving, or a particular theme or issue area, such as the environment, LGBTQI issues, or women and girls. Donors networks can be especially useful for donors who are in the initial exploratory stages and want to find out what opportunities are out there. This is preferable to delegating that critical learning process to consultants or business houses.

Why give and learn collectively?

Collective giving is attractive for various reasons, from the obvious desire to maximise impact, to the opportunity to access a philanthropic community, outsource due diligence processes, and for exposure to new and worthy causes.

Crowdfunding platforms and giving circles made up of many small funders democratise the philanthropic process by allowing individuals with modest means to participate in philanthropy. According to Jason Franklin, who is part of a number of giving circles, this democratic element also extends to circles that require larger donations:

"A best practice model is one gift, one vote. So whether you gave $100,000 or $1,000, your vote counts the same. Having said that...if the biggest funder really disagrees with something, people are human and they have manners."

Franklin also noted the tendency for more experimental grantmaking to occur within collaboratives.

"Funder collaboratives, whether individual donors or foundations, can be risk-taking spaces, because you don't have to take the risk all by yourself when making a riskier grant with funder collaborative funds. Rather, you can make a grant together and be comfortable saying, 'maybe it'll work, maybe it won't.'"

[9] Jessica Bearman et al, *The State of Giving Circles Today: overview of new research findings from a three part study*, (Indiana: Collective Giving Research Group, 2018) <https://philanthropy.iupui.edu/doc/institutes/giving-circles2017-executive-summary.pdf>
[10] Christopher Baker et al, *Philanthropy and philanthropists* (Australia: Giving Australia, *2016), 18.*

The opportunity to speak openly and share ideas and resources is a major benefit of collective giving, and collectives centred around a shared interest or identity can be powerful spaces for sparking philanthropic passion and cultivating donor identity.

“When done right, either a funder collaborative or giving circle becomes a learning community and you do learn from the other people sitting at the table. Funding decision making can be very isolating. You may only talk to your own staff about it, and you have to be careful of who else you talk to about which grantees get money and which don't. Maybe you call some of your trusted friends and a couple of other foundations, but they're busy doing their own work. In a funding circle you're constantly talking and learning from one another,” explains Franklin.

This may be particularly relevant within Australia, where tall poppy syndrome has contributed to a culture of private, quiet philanthropy and can restrict open discussions around giving[11], which may in turn limit generosity, and the effectiveness of giving.

[11] Christopher Baker et al, *Philanthropy and philanthropists* (Australia: Giving Australia, *2016), 18.*

Participatory Philanthropy and Participatory Grantmaking

What is participatory philanthropy and participatory grantmaking? Participatory philanthropy encompasses a wide range of activities designed to diversify, democratise and improve philanthropy by including and giving power to communities being served. For example, holding community meetings to collectively decide upon funding priorities, or assembling a foundation board of people with lived experience of a particular issue area. Participatory grantmaking is the most radical method, whereby grantees or community members are given decision making power over who actually receives funding.

"The money that goes into women's rights is limited, the money that goes into young women and girls is even smaller, and then the money that goes into young women and girls led organisations is even smaller. The idea was for a model that puts the power and decision-making directly in the hands of young women and girls, and changes the conversation and the traditional donor-grantee relationships, and our participatory grantmaking model does exactly that." – Nevin Oztop, FRIDA Young Feminist Fund Canada.

Challenging Philanthropy's Power Structures

For a sector that seeks to improve conditions for minority and marginalised communities, philanthropy remains overwhelmingly homogenous. Those in and outside of the sector have made much effort to draw attention to the divide between philanthropy, where 84% of board members and 90% of board chairs are white[12] and less than 10% of board members are under 40[13], and the diverse communities being served. This demographic disconnect reinforces traditional (and somewhat inevitable) power dynamics: donors become the gatekeepers to funds and grantees the beneficiaries of aid, rather than a more helpful, equal partnership. It also hinders the effectiveness of grantmaking, as philanthropists with little inside knowledge of the day to day lives and needs of their grantee communities are more likely to make ill-informed decisions. The critique is now well known; actually doing something to address this issue is the hard part.

Participatory methods attempt to (at least partially) redress the sector's implicit power imbalance by handing some of that power over to the communities being served. They centre on the belief that as a result of their experiences grantee communities are well equipped to enrich and inform philanthropy, or even decide where grantmaker dollars are spent, and that philanthropists should serve rather than direct communities. To borrow a phrase popularised by the disability rights movement, "nothing about us, without us, is for us."

[12] Rick Moyers, "Diverse Boards Make Better Decisions. So Why Are So Many White?", *The Chronicle of Philanthropy*, January 9 2018, <https://www.philanthropy.com/article/Opinion-Diverse-Boards-Make/242117>
[13] Gara LaMarche, "Democracy and the Donor Class", *Democracy Journal* 34,(Fall 2014), <https://democracyjournal.org/magazine/34/democracy-and-the-donor-class/>

Participatory philanthropy covers a wide range of activities designed to diversify and democratise, from inviting people with lived experience of issue areas onto foundation boards, to incorporating grantee feedback into foundation decisions[14]. Participatory grantmaking is the process of including grantees in decisions about who gets the money, which challenges the core structure of traditional philanthropy; one reason it is so rarely adopted by foundations[15].

Which Method of Participatory Philanthropy?

Foundations have embraced participatory philanthropy to varying degrees, from diversifying their boards, to creating advisory boards, giving to community led nonprofits, utilising local knowledge by giving to community foundations, or going all in with participatory grantmaking by handing over the majority of power to grantees.

It's worth assessing a philanthropist or foundation's history, structure and resources when considering how to most effectively implement participatory methods. For example, a grassroots community foundation is implicitly more diverse and democratic than a multigenerational family foundation, although there are ways for both structures to support greater participation.

One way for foundations to achieve more insightful grantmaking decisions is to bring nongrantmakers onto their boards and adopt affirmative action hiring policies or quotas.

According to Ryan Schlegel, Senior Associate for Research and Policy at the National Committee for Responsive Philanthropy in Washington D.C., "Representation is valuable, but community control is better. Representation can be used as a stepping stone towards greater actual responsibility to the communities foundations serve and better, more equitable grantmaking that empowers communities of color, low income communities, and other people who have historically been the beneficiaries but not the decisionmakers in philanthropy."

More radical participatory grantmaking approaches give significant power to activists, community representatives, and grantees, heavily engaging them in decisions about where philanthropic dollars are spent. For example, the Canada based FRIDA Young Feminist Fund turns over grant applications to the applicants themselves, who then vote on who should receive funding. This approach creates an inclusive, educational community experience, and provides insight into the world of philanthropy for all applicants, even if their application is unsuccessful.

New York based community foundation North Star Fund raises money to fund local community organising and activism. It has a community funding committee of majority activists who make the

[14] LaMarche "Democracy".
[15] Cynthia Gibson, *Participatory Grantmaking: Has Its Times Come?*, (New York: Ford Foundation, 2017), 11, <https://www.fordfoundation.org/media/3599/participatory_grantmaking-lmv7.pdf>

decisions about granting, plus a board that oversees governance, fundraising and hires. The structure is self-perpetuating, with activists bringing in other activists from intentionally varied backgrounds.

"This is an interesting reversal of power, compared to the standard structure of a board of directors made up of donors, plus an advisory board of youths, activists and other people with lived experience of disadvantage with less power," explains Jason Franklin, former board member and current donor to North Star Fund.

Assembling advisory boards or youth committees made up of people from diverse backgrounds, or people with a specific lived experience – homelessness, poverty, disability, LGBTQI, race – is another, gentler path to participatory philanthropy.

"These 'participation light' advisory boards can be useful, but only when donors actually want and are prepared to respond to their feedback. Tokenistic advisory boards or tokenistic community listening efforts almost always backfire because it becomes clear very quickly to the community that their advice went unheeded, that their ideas were not acted upon," warns Franklin.

Cautions and Critique

Foundations have to be careful not to heap unwanted responsibilities onto grantees and their communities in the pursuit of greater participation. They should consider reimbursing board members for their time, and make sure that any inclusion of grantees in the grantmaking process is primarily a welcome learning experience, rather than extra labour. Participatory grantmaking requires significant time and resources on the part of the foundation to implement. For example, FRIDA Young Feminist Fund staff members vet grant applications before handing them over to grantees, and also provide significant training to support their decision making.

Greater investment in community foundations is another way to harness community knowledge for better informed philanthropy. Community foundations are implicitly participatory in that they utilise local, grassroots knowledge when making funding decisions. Similarly, nonprofits led by the communities they represent benefit from insider knowledge and experience. For example, Director of the National Domestic Workers Alliance Ai-jen Poo reports to a board of predominantly domestic workers, who she calls "my boss[16]." This power dynamic places domestic workers as "protagonists, not mere beneficiaries[17]", whose input is highly valued and respected.

[16] Phil Buchanan, "Putting 'New Power' to Work in Philanthropy", *The Chronicle of Philanthropy*, Aperil 4 2018, < https://www.philanthropy.com/article/Opinion-Putting-

As community leadership experts Burton and Barnes scathingly put it: “A nonprofit that is 90 percent black or Latino serving a 90 percent white community would potentially turn heads or even raise red flags – yet we frequently see the reverse and continue to invest. This is philanthropy perpetuating inequality, just at tax-deductible rates[18].”

General support funding is another way to give more decision making power to grantees. For a foundation or philanthropist with limited time, resources and staff, providing general support funding to organisations led by the communities they serve may be a more efficient path to participatory philanthropy than trying to turn their own foundation into a radically horizontal or representative vehicle.

New/242993?cid=pt&utm_source=pt&utm_medium=en&elqTrackId=b29fc1fbc6594f51b57d1e7cec0cb3fb&elq=53c396dbedf5432092c4ae45fa5e12b7&elqaid=18469&elqat=1&elqCampaignId=8285>

[17] Buchanan, “New Power”.
[18] Dorian O. Burton and Brian C.B. Barnes, “Paid in full: how to reorient philanthropic investments for justice-oriented collective action and impact”, *Stanford Social Innovation Review* (Dec 2017) <https://ssir.org/articles/entry/paying_in_full>

Impact Investing

What is impact investing?

One of the most striking things about impact investing is that it is so hard to find a definitive explanation of exactly what it is. This is not reflective of its futility, only that it is an experimental and rapidly developing field and as such, the umbrella term “impact investing” can encompass a number of loosely connected activities. The most common methods – divesting from “bad” endowment portfolio investments and reinvesting for social good, microfinance, and outcomes and data driven philanthropy – are explored below.

“Most foundations pay out about 5% of their assets each year, which means the other 95% is invested in the stock market. If that 95% is invested in corporations that are contributing to climate change, extracting wealth from low income communities, or harming public health, then that undermines whatever good their grantmaking might be doing.” – Ryan Schlegel, National Committee for Responsive Philanthropy Washington D.C.

Divesting Endowment Portfolios from “Bad” Investments and Reinvesting for Social Good

Put simply, the practice of looking at a foundation or donor’s entire portfolio and divesting from investments that have a negative social or environmental impact and reinvesting in neutral or socially and environmentally beneficial investments. The consensus on what constitutes a negative or positive investment differs between foundations and is arrived at through internal discussions and assessments, or with guidance from advisors. Presumably offshore detention, blood diamonds and fossil fuels are out of favour.

Impact investing requires a holistic approach, where philanthropists consider the ramifications of all of their transactions, rather than siloing money making and philanthropy into neat and conveniently unrelated boxes. Philosophically, this approach is sound: if you purport to care about philanthropic causes, what is the value of investing in the problems that your philanthropic dollars then attempt to fix?

In recent years big philanthropy from the likes of Bill Gates and Warren Buffet has raised the sector’s public profile, bringing with it increased scrutiny and critique. A 2007 *Los Angeles Times* article revealed that the Bill and Melinda Gates Foundation was funding “inoculations to protect public health in the Niger Delta while its endowment was invested in companies like Royal Dutch Shell and Exxon

Mobil, which were largely responsible for the pollution that was covering the delta and causing poor health in the first place[19]."

A number of high profile American foundations are leading the charge and realigning their endowments. The Rockefeller Family Fund and Rockefeller Brothers Fund have committed to fully divest from fossil fuels[20], albeit over an unspecified time frame (no mean feat for the heirs to an oil fortune), and the Ford Foundation recently announced that over the next ten years one billion of their 12 billion dollar endowment will be moved to mission related investments (MRIs)[21].

This method of impact investing differs critically from grantmaking because it does not involve actually giving money away. Decisions around investing for social good are ethical rather than charitable, because the expectation is that impact investments will remain profitable, though generally with lower returns than purely financially driven investments.

While some impact investing proponents claim to turn market rate returns, the research can be misleading. In one study, social impact was measured only by investor intention, and the significant subsidies that enabled eventual profits were overlooked[22]. Realistically, if impact investments were as financially lucrative as regular investments, they would already be the norm. They must be entered into with a genuine commitment to social and environmental rather than purely financial returns, and an understanding that short term financial compromise will likely be necessary. Impact investors are encouraged to work on a sliding scale of returns and impact to find the right balance for them[23].

Microfinance, Program Related Investments (PRIs) and Mission Related Investments (MRIs)

Microfinance, PRIs and MRIs blur the line between philanthropy and business. For example, by providing low or no fee loans or investments with the potential return of capital to nonprofit or for profit initiatives with measurable social impact[24]. Microfinance loans commonly serve low income organisations or social enterprises deemed too risky by banks and other traditional lenders. Philanthropic dollars can also be used to pilot loan programs and de-risk loans or funding from other sources. Both PRIs and MRIs carry the expectation of some return on investment, but MRIs typically come out of endowments and PRIs come out of a grantmaking budget, which affects their tax status in the US.

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[19] Charles Piller Edmund Sanders and Robyn Dixon, "Dark cloud over good works of Gates Foundation," *LA Times*, January 7, 2007, <http://www.latimes.com/news/la-na-gatesx07jan07-story.html>

[20] Divestment Statement, Rockefeller Brothers Fund, accessed May 22 2018, <https://www.rbf.org/about/divestment>

[21] Ford Foundation commits $1 billion from endowment to mission-related investments, Ford Foundation, April 5 2017, <https://www.fordfoundation.org/the-latest/news/ford-foundation-commits-1-billion-from-endowment-to-mission-related-investments/>

[22] Mara Bolis and Christ West, "Marginalized Returns", *Stanford Social Innovation Review* 15, no.4 (2017): 55, <https://ssir.org/articles/entry/marginalized_returns>

[23] Matt Bannick et al., "Across the Returns Continuum", *Stanford Social Innovation Review* 15, no.1 (2017): 42, <https://ssir.org/articles/entry/across_the_returns_continuum>

[24] "Knowledge base: what is a program-related investment?", *Grantspace*, accessed February 28, 2018, <http://grantspace.org/tools/knowledge-base/funding-research/definitions-and-clarification/pris>

These methods are attractive because they encourage financial independence and challenge the traditional never ending charity model[25]. Some impact investors not only provide investment capital, but also support their investees to become financially sustainable. The Chicago based IDP Foundation provides no or low interest loans to establish low fee schools in Ghana, then helps run financial literacy and management training that supports the schools to successfully repay those loans.

A hybrid philanthropy and business approach allows philanthropists to apply business superpowers developed in the private sector for social good, and to spread the love further by using funds from successfully repaid loans to make more loans to other organisations.

Cautions and Critique

While microfinance is very well suited to social entrepreneurship, it is unreasonable to expect that all social change can or should be profitable. Going all in with finance and business ideologies in the nonprofit sphere overlooks the vastly divergent conditions and motivations of these sectors.

And again, it's important to remember that impact investing isn't magic: social impact investments generally produce lower and slower returns than traditional investments, so there must be a genuine commitment to achieving social and environmental outcomes.

Outcomes and Data Driven Philanthropy

Less frequently, the term impact investing is used to describe outcomes and data driven philanthropy, which is all about getting the highest possible bang for donors' philanthropic buck. For example, Bill and Melinda Gates' global health focused giving is motivated by the belief that their resources can have a disproportionate effect tackling health issues in Africa compared to within the US[26].

In order to measure grantee performance, outcomes focused donors request and analyse data from grantees; the opposite approach to writing a cheque and assuming it is well spent. New York based poverty fighting organisation Robin Hood are pioneers of this approach. Their founder Paul Tudor Jones made his fortune in the finance industry, and wanted to apply the rigour of that sector to his giving to ensure maximum impact. Robin Hood privileges "rigorous metrics", "accountability" and "relentless monetisation" and boasts a 12:1 return for every dollar invested.

"We are laser-focused on understanding the impact that our investments produce in the lives of low-income New Yorkers," says Veyom Bahl, Managing Director of Survival at Robin Hood.

[25] Goldseker, Sharna and Michael Moody. *Generation Impact: How Next Gen Donors are Revolutionizing Giving*. Wiley: New Jersey, 2017,79.
[26] "The 10 tough questions we get asked", Bill and Melinda Gates, Gatesnotes, accessed February 28, 2018, https://www.gatesnotes.com/2018-Annual-Letter

“For example, for every job training program we fund, we’re looking to see not just how many people get trained, but how many people get hired and hold on to a high-paying job for at least one year. Then we compare how much that person is earning in that job to the labour data for a person with the same demographic and educational profile who didn’t benefit from our intervention. The difference between those numbers is the impact that we think our grants make.”

While Bahl admits that tracking data with precision is “an intense task” for Robin Hood grantees, he believes that the substantial grants and additional support for capacity building they receive make the process worthwhile, and is something that ultimately allows their partners to better understand and scale their programs.

Cautions and Critique

While nonprofits should be held accountable for serving their communities, donors need to be accountable for diverting grantee resources towards data collection. One study found that while 75% of nonprofits collect data, only 6% believe they are using it effectively[27].

Bill Lienhard, Executive Director of Volunteers of Legal Service (VOLS), a nonprofit in New York, believes that foundations and government agencies should be careful and thoughtful about imposing outcome measurements on their grantees. For example, if a foundation were to evaluate grantees by focusing on a tangible result such as the number of evictions grantees prevented in a year through legal representation in housing court, this could unintentionally penalise grantees for taking on difficult, time consuming anti-eviction cases, and reward grantees for screening these cases out and accepting only easier, less time consuming cases.

Data collection is likely to be most useful in fields where it is already commonly used, such as for measuring health or environmental outcomes. Efforts to combat intergenerational challenges such as racial injustice and poverty are not likely to produce encouraging short term data; this work risks being overlooked when donors give based purely on grant cycle wins.

Further, data collection carried out by grantees can be compromised. Nonprofit staff are not trained social scientists, have limited resources, and are expected to objectively and honestly evaluate their work despite being heavily invested in continued funding. Additional funds and capacity building support to implement data tracking systems go a long way to ensuring collection is rigorous enough to be worthwhile. Long term investments and efforts to create a collaborative relationship will encourage honesty from grantees, rather than secrecy for fear of funding cuts if their outcomes don’t measure up[28].

[27] Kathleen Kelly Janus, “Creating a Data Culture”, *Stanford Social Innovation Review*, (March 2 2018), <https://ssir.org/articles/entry/creating_a_data_culture>
[28] Janus, “Creating”.

When carried out thoughtfully, data analysis is a way for both foundation and grantee staff to better understand grantee programs and how they can be improved and supported, rather than a method for screening funding cuts.

“When we ask (our grantee partners) for data we’re not using it as a way to be mad at them for not meeting targets, unless – which is rare – things are really bad and they’re going off mission or showing internal, ethical, financial, or structural problems. The leaders we fund are rooted in the communities they serve, so we use this information to ask them how we can better serve them,” says Lynn-Fitzgerald Tahsir, Grants Manager at The New York Women’s Foundation, of the foundation's non-punitive approach to data analysis.

Supporting Grassroots Activism and Social Change

Why the urgency for philanthropy to support grassroots activism and social change?
Supporting the trailblazers of systems change in nonprofits and social change movements is a way for philanthropy to address the root causes of many social problems rather than treat the symptoms. For example, rather than provide funding for direct services to impoverished people, a systems change funder might fund a racial justice movement that addresses the reasons why a disproportionate number of black people live in poverty in the US and globally.

"A useful analogy is this: if people are jumping off a cliff and falling to their death, do you help them build a wall that stops them from falling, or try and catch them at the bottom? I would choose the wall, and that's why I support social change movements." – Holly Fetter, activism and social change donor based in New York.

What's the Hold Up?

Reluctance to court controversy, the desire to remain politically neutral, and a lack of information or understanding are just a few of the reasons most philanthropy does not support grassroots activism and social change movements. In the US, around just 7-15% of foundations spend 25% or more in this area, and even less is spent on climate change prevention, LGBTIQ issues, or native peoples[29].

However, in the Trumpian era politics are increasingly hard to ignore, and a recent revitalisation of social change movements has been accompanied by an increased willingness to show support amongst funders. Efforts to fund activism can be cloistered by rigid and slow moving grant application processes; crises and roadblocks don't wait for funding cycles[30]. Long term, flexible funding to movements and the creation of rapid response funding grants are two ways to make foundation structures more effective here.

Real World Examples

The Native American Standing Rock Sioux Tribe's long running battle against the Dakota Access Pipeline provides an interesting case study. The effort was fuelled by tens of thousands of individuals and a number of foundations that funded everything from legal costs, to nonviolent direct action training for protesters, to the daily needs of the camp[31]. The most effective foundations either had

[29] LaMarche "Democracy".

[30] Laurie Michaels, "What We've Learned After Five Years of Risk Management in Philanthropy", *Grantcraft*, November 15 2017, <http://www.grantcraft.org/blog/what-weve-learned-after-five-years-of-risk-management-in-philanthropy>

[31] Tate Williams, "There's a Real Opportunity for Funders to Learn Here. Lessons From Standing Rock", *Inside Philanthropy*, December 12 2016, <https://www.insidephilanthropy.com/home/2016/12/9/what-philanthropy-can-learn-from-standing-rock>

existing ties to native-led organisations, or were willing to take a chance and cut the red tape to move money fast[32].

“Some groups have emergencies and some don't. Solidaire has emerged as a real leader in moving critical resources fast to critical movement moments. Last year we moved about $2,000,000 a year in rapid response giving as a donor community,” explains Jason Franklin, Solidaire co-founder and donor.

Solidaire is a donor community comprised of members across the US who support progressive social movements. The group formed in 2013 as a response to global uprisings such as the Arab Spring and Occupy Wall Street. Alongside rapid response funding for creatives ideas, crises or uprisings, Solidaire supports “movement R&D” (risk capital for experiments in movement building) and “movement infrastructure” (long term giving). They provided quick and nimble early funding to Black Lives Matter, sometimes sharing projects that needed funding through a group email chain, and have since committed to funding the movement for the next five years.

Franklin also noted that while there is a common perception within Australia that US philanthropy is more advanced, he was impressed with the nuance of conversations around social justice funding taking place in Australia, and noticed similiar structures, albeit on a smaller scale.

For example, the Australian Environmental Grantmakers Network has a similar “clearing house”, where members sign up to a group email list and share environmental campaigns that need a quick financial injection. A campaign to stop land clearing might need to raise $30,000, so members would each commit a couple of thousand dollars to reach the goal collectively.

Moving Money with Speed and Understanding

Rapid response funding is also becoming best practice outside of activism and social change philanthropy.

“Even if you’re not funding advocacy, social change or justice work, I advise foundations to have some money available for your current grantees for when things come up that they didn't expect. From their Executive Officer leaving and them trying to figure out how to find the money to do a new search, or if a donor falls through, or some crisis or opportunity just changed...we know life is chaotic, so as funders we need to build in the idea of supporting our current grantees by saying when life happens, we're here...and there's certainly no need to hide this from us,” says Franklin.

New York and Washington D.C. based funder Open Road Alliance exclusively funds projects that are fully funded by other donors, but have run into issues mid-implementation and require a fast cash

[32] Williams, “Lessons from Standing Rock.”

injection. This model allows them to move money fast by relying on the due diligence already conducted by other funders, and to leverage their grants, which are frequently just a fraction of initial funding.

Executive Director Maya Winkelstein noted that so many projects stall part way through because potential risks are not addressed early on in the funding process: "We did a big survey of 200 foundations in 2015 and my favourite result from that, which just shows what's at the root of this issue, is that 76% of foundations don't ask at any point in the application process what could go wrong. If foundations don't ask, grantees aren't going to share. That creates an expectation of perfection."

Social Change Beyond the Picket

Donors interested in supporting social change movements can also take into account their personal beliefs on how change happens when deciding exactly where to direct funds. For example, supporters of marriage equality in the US adopted various approaches, from funding legal advocacy, to communications and media to sway public opinion, to grassroots organising[33]. In the end, all of these tactics were crucial to the movement's success[34].

The New York based Ford Foundation takes an intentional "inside outside" approach, working with other funders, the private sector, and government, as well as community organisers and activists.

"We're very aware of working on the inside and outside at the same time," says Chris Cardona, Program Officer for Philanthropy at the foundation. "For example, there's an annual economic policy conference in Detroit, full of established business and civic leaders, as well as a number of grantees working on urban development. It's happened before that our president was inside the conference addressing the audience from the main stage, while outside, other grantees we support were protesting that very conference."

Ford's approach shows that partnering with traditional, established channels and activists need not be mutually exclusive. Further, those reluctant to fund protests and direct actions may be able to sustain movements in creative and less politically charged ways.

Cautions and Critique

It's worth keeping in mind that social change can take decades – think civil rights and women's rights – and philanthropists looking for short term results will likely be disappointed. Even the US

[33] Mitchell Singer and Jon Quinn, "How Individual Donors Can Help Build Movements", *Stanford Social Innovation Review*, (Jan 7 2016) <https://ssir.org/articles/entry/how_individual_donors_can_help_build_movements>
[34] "How Individual Donors Can", Singer and Quinn.

marriage equality campaign, which may have looked like an overnight success from the outside, took decades of frustrating, uncertain activism to achieve its aim[35].

[35] "How Individual Donors Can", Singer and Quinn.

Investing in Human Capital

What is human capital philanthropy? Investment in developing and fostering the knowledge and skills of individuals that can be used to advance an organisation or community's goals.

"Our approach is predicated on an assessment that one of the most effective things you can do in the long term is to build the effectiveness of agents for change. If you can make people who are trying to deliver change more effective, you can have a bigger impact," – Martin O'Brien, Social Change Initiative Belfast.

Why Invest in Agents for Change?

The private sector spends billions of dollars on supporting and developing leadership and talent, because they know it's a sound investment[36]. In the nonprofit and social change sector, a lack of available resources means that strong leaders are rarely given the same space and support to learn and grow.

The tendency for donors to measure a grantee's success based on data showing the number of services they deliver or how many people they help does not encourage investment in staff. Further, general suspicion towards nonprofits that divert philanthropic dollars away from programs leads philanthropists to give only for programmatic work, and forces nonprofits to neglect staff development. According to data from the Foundation Center, less than one percent of foundation giving is directed towards leadership development[37].

However, it's these undervalued nonprofit staff who implement the projects, and similarly under supported community leaders and activists who drive social change. Executive Director of the US National Gay and Lesbian Task Force Res Carey equates foundation investment in nonprofit leadership as "like adding protein powder to your others grants[38]" to ensure they have maximum impact.

Approaches to Fostering Individual Development

One way forward is for donors to offer more unrestricted general support grants, which could then be directed towards staff development. To go further, foundations can directly provide or facilitate skills building and business development support for their grantees.

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[36] Ira Hirschfield, "Investing in Leadership to Accelerate Philanthropic Impact", *Stanford Social Innovation Review,* (September 11 2014), <https://ssir.org/articles/entry/investing_in_leadership_to_accelerate_philanthropic_impact>
[37] Lisa Schohl, "How Foundation Leaders Can Support Nonprofit Leadership Development", *The Chronicle of Philanthropy*, March 1 2018, <https://www.philanthropy.com/article/How-Foundations-Can-Support/242691?cid=cpfd_rsrc>
[38] Hirschfield, "Investing in Leadership".

Through their Beyond Dollars program, San Francisco based community organisation Tipping Point provides nonfinancial professional and business development support to grantees. For example, if multiple grantees express the desire to improve their fundraising efforts, Tipping Point may run a workshop for grantee staff. Or if a grantee needs a new physical space for their organisation, Tipping Point could connect them with an architect or realtor willing to work pro bono or at a discounted rate. Interestingly, employees at all levels of grantee organisations have access to some kind of training from Tipping Point, so it's not only the superstar or senior employees who benefit.

Bringing in a neutral third party to lead development can minimise conflict or awkwardness that may arise from a funder directly providing services and advice to grantees. For example, Omidyar Network – a philanthropic investment firm run by eBay founder Pierre Omidyar – has a human capital team that helps their grantees invest in the right staff. This team is separate from the investment team who manage the financial relationship with grantees[39]. They believe this separation is "critically important" for gaining trust when attempting to provide nonfinancial support[40].

Through their accompaniment program, Canada based FRIDA Young Feminist Fund facilitates an advisory relationship between skilled advisors and grantee organisations. FRIDA makes the pairing based on each grantee's needs – for example, organisational strengthening, raising funds, or online security – and the advisor's expertise. The advisor and grantee collaboratively develop a 12 month working program, including at least one in person visit funded by FRIDA, plus regular check ins and guidance.

Another way to invest in human capital is by supporting or developing fellowship programs. These programs take outstanding individuals – typically activists, community leaders, nonprofit or public sector staff – and provide them with education, mentoring, and financial support. They range in form, from formalised curriculums such as the global Atlantic Fellows for Social Equity program at Melbourne University, to discretionary financial support for a particular project or to free the fellow up to focus on their own development.

The Belfast based Social Change Initiative (SCI) offer six-18 month fellowships for activists, who are provided with up to £70,000, access to SCI's networks, and the opportunity to meet, learn from and support other fellows. Participants often use the fellowship to focus on a particular project or idea. For example, Craig Dwyer ran the social media component of the Irish campaign for same sex marriage, and used part of his fellowship to help on the Australian campaign. He also developed a web based tool (www.forachange.org) to help other activists run effective social media campaigns.

SCI also runs the Migration Learning Exchange, which convenes activists to learn from each other and pairs emerging activists working in the area of migration with experienced mentors.

[39] Sal Giambanco, "Investing in People Pays Big Dividends", *Stanford Social Innovation Review*, (November 6 2016), <https://ssir.org/articles/entry/investing_in_people_pays_big_dividends>
[40] Giambanco, "Investing in People".

According to SCI Director Martin O'Brien their people centred approach is "predicated on an assessment that one of the most effective things you can do in the long term is build the effectiveness of agents for change."

There is increased interest from foundations to support nonprofit leadership. Acknowledging the high stress nature of nonprofit leadership, the Los Angeles based Durfee Foundation simply provides grantee organisations with $53,000 to support their leaders to take a minimum three month sabbatical to reflect, travel and renew. This is a simple but effective way to minimise burn out in the nonprofit sector, which is common given the often relentless and emotionally draining nature of the work.

Equity, Community and Human Capital

A number of fellowship programs privilege or exclusively support individuals from marginalised or minority communities.

"What we wanted to do was find people who others might not normally find. We wanted to have a bias towards younger people, towards people from minority backgrounds, and to make sure we have more women than men," explains O'Brien.

Elsewhere, Tipping Point runs an Emerging Leaders fellowship program for people of colour in nonprofit spaces, and the Atlantic Fellows for Social Equity Program at Melbourne University predominantly supports Indigenous leaders.

Fellowship programs with a shared learning or community component provide the often new opportunity for participants to connect with their peers, collectively share knowledge, reflect, regroup, and form relationships. Ideally, participants not only benefit from new and ideas and knowledge for the duration of the program, but form relationships that outlive the fellowship and can lead to opportunities and collaborations later on.

"The fellows crave the space and time with like-minded people to think and act strategically… Community leaders dealing with communities in crisis live in crisis. Very rarely are they able to do what feels like very luxurious long term thinking and planning," explains Jason Glanville, Director of the Atlantic Fellows for Social Equity program at the University of Melbourne.

In the United States, unpaid internships for university students are commonplace. Laws around payment for interns in the nonprofit sector are even more relaxed than in other sectors, because volunteers are already allowed to perform unpaid work for charities. As a result, low to middle income young people are blocked out of the nonprofit sector early on. According to Chris Cardona, Program Officer for Philanthropy at the Ford Foundation in New York, unpaid internships are an example of the ways in which foundations can reproduce inequality, even as they try to fight it.

“Who can afford to take an unpaid internship? It’s someone who has economic privilege, for the most part. So our small contribution to the broader issue of inequality, is having a formal, paid internship program that works with students from all over the region and I think the country. We’re trying to formalise that informal process that produces inequality,” says Cardona.

Similar issues around unpaid internships exist in Australia, where there is significant need for more formalised, paid internship programs and greater enforcement of existing laws.

Partnerships and Convening

How can partnerships and convening benefit philanthropy? Partnerships and convening are a way for philanthropists and foundations to move out of their silos to maximise impact. By working with other philanthropists and the public and private sectors, and using their networks to encourage collaborations, philanthropists can tackle “wicked problems”. Research shows that working in isolation is less effective than collaboration.

“It can be the arrogance of philanthropy to say that what we fund is the only thing that matters, rather than to acknowledge that any one foundation or funder is only ever going to be part of a broader solution and a broader campaign,” – Jason Franklin, Johnson Center for Philanthropy.

Why does philanthropy need partnerships?

The deep seated and overwhelming problems that philanthropy seeks to address – environmental degradation, intergenerational poverty, homelessness, to name a few – cannot be effectively tackled alone, no matter how significant a foundation’s resources. Increasingly, donors are realising that it takes not only significant capital, but significant knowledge and the commitment of every group that touches a so-called “wicked problem” to solve it. Partnerships between philanthropists, and with the public and private sectors, are an opportunity to give within a broader framework to maximise impact.

In 2017, Bay Area community organisation Tipping Point announced a $100 million dollar investment to halve chronic homelessness in San Francisco by 2020; the largest private investment to end homelessness in the city’s history. As well as funding direct services, the initiative will facilitate partnerships between government, philanthropy and nonprofits in order to shift policies.

“The integration of policy into Tipping Point’s model has been our biggest opportunity and an interesting challenge. We wanted to continue our targeted approach by finding and funding direct service nonprofits, but we couldn't do just that alone. To move the needle to see community wide change, we had to start looking at policies and how they impact the people we serve. That’s been a very important step, and one we didn't take lightly given our strong reputation for doing things well a certain way,” explains Ali Best, Senior Associate of Communications at Tipping Point.

Tipping Point is also moving towards measuring impact by developing community strategic plans with overall goals for a group of grantees within an issue area. This encourages grantees to work together to achieve common goals, such as lowering unemployment in a geographical area by a certain date.

100 Resilient Cities is an organisation based in New York, London, Singapore and Mexico City that was founded by the Rockefeller Foundation and aims to build physical, social and economic resilience

in cities around the world. The program focuses on facilitating partnerships and optimising existing systems, rather than launching entirely new endeavours.

“When we talk about ‘innovation’ in philanthropy, I think it’s interesting to ask whether that means doing completely new things, and if so, what happened to the old outcomes? If the old problems still exist, that means all the previous interventions failed. So innovation isn’t about abandoning those old issues, but finding the systems that are in place and leveraging them to act in a different way,” says Senior Vice President of City Solutions Andrew Salkin.

“Philanthropists often go and start something new, where as we’re trying to create a new way of thinking about something very established.”

Philanthropists as Networkers and Matchmakers

100 Resilient Cities encourages partnerships between technology and government by hosting dialogues between city mayors and people from tech and finance to discuss why the two sectors do not typically work well together. One resulting partnership is between government and a tech company called Hustle, which has developed a tool for highly tailored mass texting. Hustle had not previously considered working with government, but their technology has vast potential in the education, incarceration, health and employment sectors.

Bill Lienhard, Executive Director of New York nonprofit Volunteers of Legal Service (VOLS) Probono emphasised the potential for philanthropists to act as conveners, bringing high level government officials, nonprofit leaders, and other foundations together to work on a problem as equals.

“For example, if VOLS were to try to convene a meeting concerning Deferred Action for Childhood Arrivals (DACA) and invite funders as well as advocates and others, this could be misconstrued as a sales pitch for funding to support VOLS’ DACA advocacy. However, if a foundation were to organize the meeting instead, advocates, government officials, and other funders would be more likely to see it as a serious effort to organize advocacy in the area,” he said.

Foundations are often well positioned to facilitate interactions between diverse groups. The Belfast based Social Change Initiative brings philanthropists and activists together; last year, they convened a group to look at using strategic litigation as a way to advance change. Because of the organisation’s unique position, they are trusted by both civil society and philanthropy.

Convening is one way that philanthropists can leverage their influence to benefit grantees. Another is by utilising their networks to fundraise for grantees.

As part of his membership of the Funding Queerly giving circle, Jason Franklin not only donates his own money but also fundraises from his personal networks.

“We don't want to compete for funding with the groups we support, but we know that these small queer groups don't have access to my parents or college friends,” explains Franklin.

He also recommended “conversations between corporate funders, private foundations, public ancillary funds, and individual donors, who each have different availability of what they can fund” and called for philanthropists to position themselves within broader networks rather than “think that what they give to is the only thing that matters”.