



Philanthropy
Impact

Magazine

Inside this issue:

What do we know about giving in the UK?

The secret philanthropist speaks

Why funders need to get in early to solve problems

Advisors do add value

Kurt Hoffman on philanthropy's failings

Issue 1: SPRING 2013

What's in the box, George?





Sue Daniels, Executive Director and Editor in Chief

Welcome to the first issue of Philanthropy Impact¹ Magazine, a quarterly publication. Philanthropy Impact intends to make sense of and inspire philanthropy in a domestic and international context and its creation is an exciting development for the sector. Our Magazine enables us to explore the philanthropy spectrum in more detail drawing out issues concerning philanthropists, advisors and charities, highlighting new opportunities and achievements and sharing experiences and lessons learnt. It will offer something for everyone. At its core will be robust thought leadership that we hope will be challenging, promote discussion and interaction, and entertain.

We are excited to have Michael Green as our guest editor. In this issue Michael considers the UK Budget 2013, looking at what the sector can learn from UK Budget 2012 and the tax relief challenge, and what we need to focus on now, particularly in light of recent US and EU activity. Cathy Pharoah presents the urgent need for better data to understand giving and to strengthen our arguments: which needs championing and funding. We also offer insights into philanthropy in Germany and India, in what will be a regular country feature.

Kurt Hoffman, former CEO of the Institute for Philanthropy, has been invited to author a series of four provocation pieces – Hoffman’s Challenge – which form part of an action research programme. The first article argues that the sector needs to reconsider how it is funded, structured and managed. Kurt will be available on-line to discuss his article on Thursday, 14 March 2013 at 12noon UK time. Look for the email reminders on how to become involved. The next three articles consider: why narratives matter in philanthropy; why impact assessment tells us little about how effective charities are and whether they deserve our support; and the inherent conflicts of interest faced by philanthropy advisors – from the perspective of the beneficiary.

As always, we welcome your comments and letters, so please email them to editor@philanthropy-impact.org

We look forward to your company on our journey

Best

Sue



Michael Green, Guest Editor

I am delighted to be the Guest Editor of the first edition of Philanthropy Impact Magazine because it contains one of my favourite words. No, not ‘philanthropy’ but ‘impact’.

My interest in philanthropy stems from a decade working in government fighting global poverty. There I saw the enormous potential of ambitious and hard-headed private donors to make bold and innovative interventions that public bodies often struggle to do: but only if there is a relentless focus on impact.

An impact focus means throwing off conventional wisdoms and taking risks. It means taking evidence seriously. It means thinking about scale from the outset.

These themes are all reflected in the magazine. We profile Purpose.com, an organisation that is reinventing campaigning for the social media age, David Robinson challenges funders to lead a ‘measured revolution’ away from curing social problems towards prevention, we look at what tax breaks can really do to promote giving, and our ‘Secret Philanthropist’ shares hard lessons from the field.

I don’t expect that you’ll agree with everything in here. But that’s OK. We want this magazine to inform, provoke, challenge and inspire. That, to me, is what Philanthropy Impact is all about.

Regards

Michael

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The purpose of the magazine is to share information about philanthropy in a domestic and international context. We welcome articles, letters and other forms of contribution in Philanthropy Impact Magazine, and we reserve the right to amend them.

Please contact the Editor at editor@philanthropy-impact.org

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Cabinet Office

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Future issues

- Issue 2:** focus area will be Social Investment. Publication 29/30 May 2013
- Issue 3:** will focus on Europe and Digital Giving. Publication 25/26 September 2013
- Issue 4:** will focus on alternative funding models. Publication 27/28 November 2013

What's in the Box, George?

by Michael Green

On 20th March George Osborne will be wielding the battered red briefcase again on the steps of 11 Downing Street. Last year's announcement of a cap on tax relief on charitable gifts came out of the blue, flying in the face of the Government's pro-philanthropy rhetoric. Under pressure from the 'Give It Back George' campaign, Mr Osborne dropped the planned cap. Will there be more surprises, good or bad, in the Chancellor's budget speech this year?

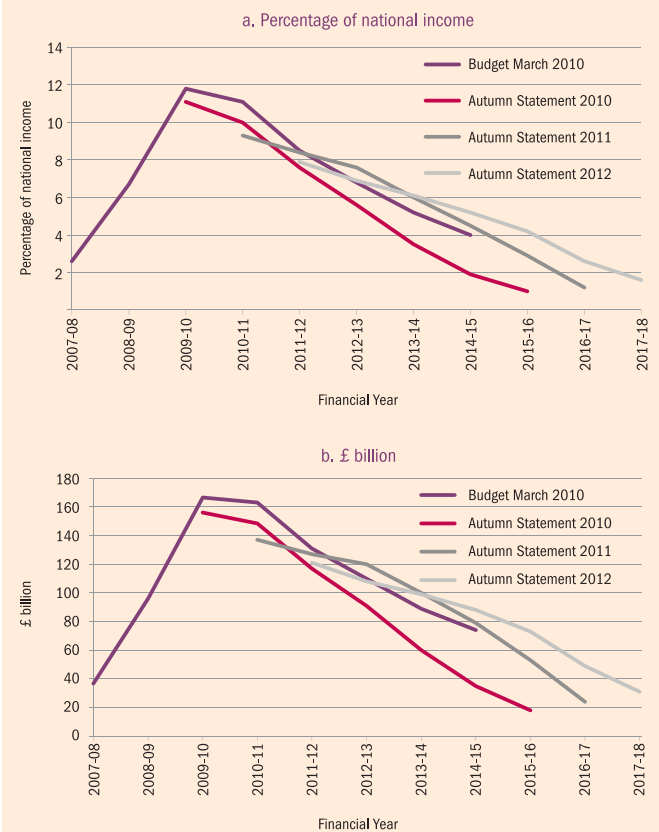
Mr Osborne is certainly not short on advice on what he could do if he wanted to please the charity sector. Back in 2011 the 'Philanthropy Review' chaired by Thomas Hughes-Hallett then CEO of Marie Curie Cancer Care, championed a range of reforms including a proposal that top-rate taxpayers could opt out of Gift Aid and claim back a tax rebate on donations at the 50% (now 45%) rate instead. In 2012 the Legacy10 philanthropy lobby led by PR executive Roland Rudd suggested easing the top rate of tax on high earners from 45% to 42.5% for those who are willing to make a commitment to some programme of structured giving. Only last December the Higher Education Funding Council 'Review of Philanthropy' chaired by Professor Shirley Pearce the Vice-Chancellor of Loughborough University, echoed the call that others have made before for tax breaks for 'living legacies' (where a donor makes an irrevocable gift to charity during his/her lifetime, attracting an immediate tax break and retaining a proportion of the investment income on the gift for the rest of his/her life). Yet as the Chancellor pores over his options, all these ideas come with a red flag – they all cost money.

The context for Budget 2013 is, frankly, awful. The dismal scientists of the Institute for Fiscal Studies, in their annual 'Green Budget' report that was published in February, say that slow economic growth has driven a coach and horses through the Government's original plans to eliminate the deficit by the end of the Parliament in 2015. As a result, Mr Osborne not only has no money to give away, he is still on the hunt for ways to cut spending and boost revenues.

This is not a problem unique to the UK. Across the world governments are scrabbling around for new ways to raise revenues, often with an eye to the well-off. French President Francois Hollande set the pace with his plans for a super tax on the rich that sent Gerard Depardieu scurrying off to Siberia with a freshly minted Russian passport. No one expects Mr Osborne to follow the French example

Slipping away: different vintages of forecasts for public sector net borrowing.

Source: IFS



Note: December 2012 borrowing figures exclude the £28 billion of negative capital spending from Royal Mail Pension Fund.
Source: Out-turn figures for 2007-08 from HM Treasury, Public Finances Databank, December 2012. Budget March 2010 (available at http://www.hm-treasury.gov.uk/budget_archive.htm) and OBR Economic and Fiscal Outlooks between June 2010 and December 2012 (all available at <http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-december-2012/>)

but the pressure is growing to put the squeeze on the wealthy in some way. The IFS, for example, thinks that cutting some tax reliefs and exemptions would be a good way to raise revenue without imposing new taxes or raising rates of taxation, and it would simplify the tax system. Tax relief on charitable donations is not one of the loopholes that the IFS has singled out to be closed and their senior research economist Stuart Adam stresses that they are not taking a view on tax policy for charity.

The Government ‘spent’ about £1.5 billion on Gift Aid and Payroll Giving last year, of which two thirds went direct to charities and one third to higher rate taxpayers as a rebate on their tax bills. This is small beer in the grand scheme of things (£1.5 billion is about a quarter of a penny of income tax). But that is not a reason for the charity sector to rest easy. Even in the United States, often held up as an exemplar in how to use the tax system to promote charity, the debate is changing and philanthropy’s champions are worried. Since 2009 nonprofit leaders have spent \$21 million on lobbying to fight White House plans for tighter limits on the tax deduction available to America’s high-earning givers. Whether the charitable tax deduction can continue to resist reform as part of a wider deal to tackle the US budget deficit is by no means a foregone conclusion.

Even if Mr Osborne were inclined to splash a bit of cash to promote philanthropy, Treasury officials point out that the evidence on tax incentives as a way to encourage giving is pretty feeble. Scratch the surface on claims like that of the Philanthropy Review that offering a full tax rebate to wealthy donors could generate up to £1 billion of extra giving and there’s precious little evidence for this assertion. Rather, the data suggests that the correlation between tax and giving is actually pretty weak. The much-maligned Gift Aid scheme, for example, is now costing the Treasury, in cash terms, 80% more than it did in 2005. Yet in that period, according to ‘UK Giving Trends’, giving has not increased at all.

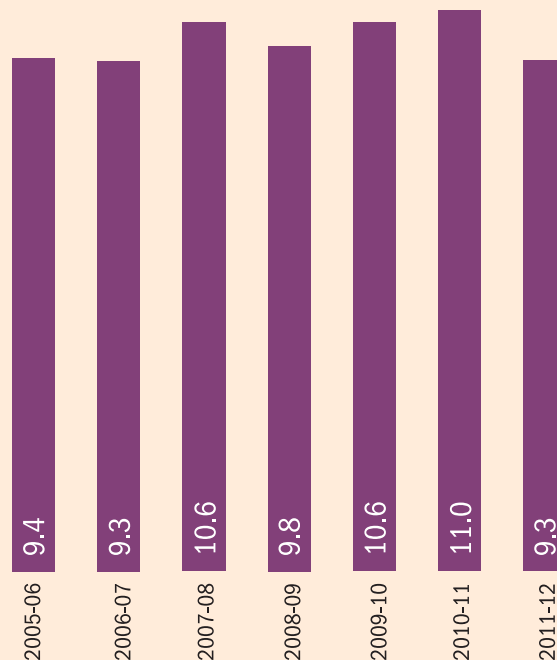
“Donors are not price sensitive to changes in the tax rate”, explains Professor Sarah Smith, an economist at Bristol University who has done the most rigorous work to figure out the relationship between tax incentives and giving in the UK. Her 2009 study on options for Gift Aid reform, with Professor Kimberley Scharf of Warwick University, used quantitative and qualitative data to look at impacts on levels of giving and the public finances. Based on their analysis, rather than hoping for new wealthy donors to step up by giving them a chance to claim the full value of their tax subsidy as a rebate, as proposed by the ‘Philanthropy Review’, the charity sector would be better served if there were no rebate at all. That way, charities would get the whole tax subsidy rather than sharing it with the donor through the rebate.

Many in the fundraising and philanthropy sector are sceptical, believing that tax incentives have a greater impact on the giving decisions of major donors than predicted by the Smith and Scharf study. Even if that’s the case, philanthropy’s advocates still need to be realistic. The last 30 years have seen a steady improvement in the tax environment for giving in the UK. (Let us not forget that, despite the fiscal headwinds, Mr Osborne has brought in the new tax break to incentivise legacy giving.) The pressure to justify even existing subsidies is the real battle now.

The Government’s position in last year’s tax cap debate was weakened by the inability to come up with any evidence of abuses of the Gift Aid rebate. Might things have gone differently if the ‘Give It

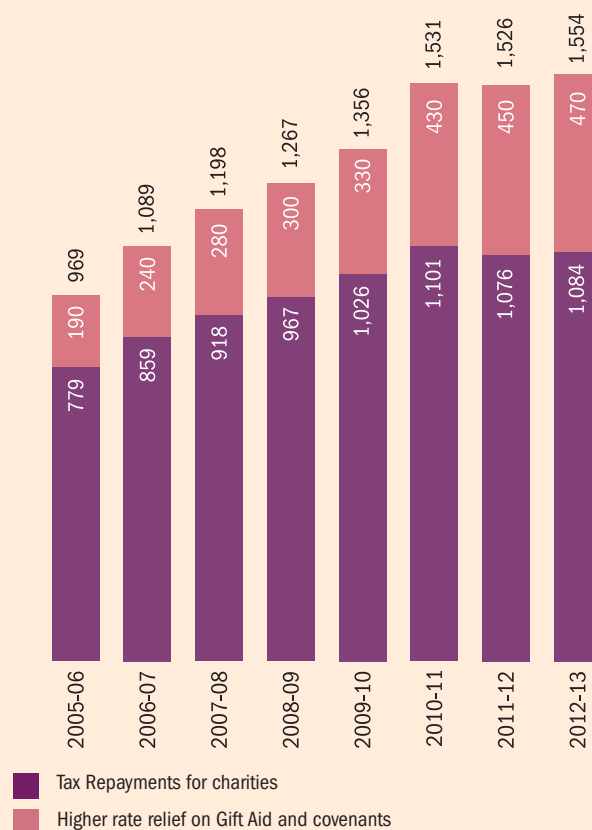
Muddling along: estimated total amounts given by individuals, not adjusted for inflation, 2005/06 to 2011/12 (£ billions)

Source: www.cafonline.org/PDF/UKGiving2012Summary.pdf (Figure 3)



On the up and up: Gift Aid tax repayments for charities and higher rate relief (£ million)

Source: www.hmrc.gov.uk/statistics/charity/table10-2.pdf



Back George' campaign had been making its case in the face of the evident manipulation of the recently reported Cup Trust scandal, where tens of millions of pounds were claimed in Gift Aid by an organisation that gave away just £55,000? This is one isolated case but last year's debate exposed the flimsiness of the evidence about tax incentives for giving. Advocates of the public subsidy to philanthropy will need more and better research on donor behaviour to produce credible evidence.

All is not doom and gloom, however. The Government can help giving in ways other than creating new tax breaks. In his Autumn Statement Mr Osborne said that he would be looking into ways to make Gift Aid easier for digital donors. The Treasury is less clear on what the solution might be but, if it can be found, charity incomes will benefit even if there is no wider catalytic effect on overall donations (and Treasury can live with the relatively low cost of a measure that creates no new precedents).

The Government has also admitted recently that payroll giving is failing and that something has to change. This is to be welcomed. Maybe the idea of opening this market up to new, commercial providers that has been mooted would make a decent footnote in the budget speech. Successful or not, it is worth a try and might free up some time to think about other, more effective, ways to promote corporate do-gooding.

Another issue on the Government's mind is what to do with social investment. At the moment, the UK tax system strongly favours doing good through giving money away, even though it is just one way of addressing social problems. Given that there's quite a lot riding politically on the success of Big Society Capital, maybe there is a will to spend a bit of money to

catalyse the nascent class of social investors? The Treasury already has incentives to boost, for example, venture capital, so why not something similar for social investment? The case against is the IFS argument against creating more tax loopholes but, who knows, maybe the temptation of 'an announceable' might be too much for the Chancellor to resist.

In the absence of fiscal good news, chancellors will often sweeten the pill with a few spending initiatives. This might be the most fruitful area for philanthropy's lobbyists. A 'Better Asking' campaign was one of the conclusions of NCVO's 2010 Funding Commission report and the Office for Civil Society's programme of support for small charities' fundraising is enthusiastically endorsed by many in the sector. "This is targeting small, local, grassroots organisations working with marginalised groups," says Ceri Edwards the Director of Policy at the Institute of Fundraising, "ensuring they develop the necessary leadership skills to fundraise more effectively." The call for more support to fundraising is echoed by the Charities Aid Foundation (CAF), which also wants the Chancellor to send a strong signal to government spending departments and local authorities that charities should not bear a disproportionate burden of cuts.

Those hoping for a grand gesture of fiscal support to giving will probably be disappointed by Budget 2013. Then again, expectations were just as low last year, before Mr Osborne dropped his tax cap bombshell. Hannah Terrey, the Head of Policy at CAF, probably speaks for a lot of people in the sector when she looks forward to this year's budget and says "Let's hope it's dull."



Michael Green is an economist and writer. He co-authored 'Philanthrocapitalism', 'The Road From Ruin' and 'In Gold We Trust?'. Michael has worked in aid and development for nearly twenty years. He was a senior official in the British Government where he worked on international finance, managed UK aid to Russia and Ukraine, and served three Secretaries of State as head of the communications department at the Department for International Development. He is @shepleygreen on Twitter

The state of knowledge on major giving:

it is time to progress from seeing the bits to building a full picture

by **Cathy Pharoah**, Co-Director, Centre for Charitable Giving and Philanthropy

With the birth of Philanthropy Impact, a new chapter in the development of professional philanthropy advice in the UK opens. It is timely then to consider how far we can map the state of major giving today?

To make a beginning, we would need a sense of its boundaries, and sadly we would fall at this first hurdle. We have no clear notion of 'major' giving. It is variously associated with gifts from anything over a few hundred, thousand, hundred thousand or million pounds. Alternatively, it is regarded as giving by wealthy people, with the donor as the focus, but notions of 'wealthy' similarly vary, from higher rate tax-payers (HRT), to millionaires, or the 'super-rich'.

Without a definition, the other contours of the map remain elusive, including for example, the size, 'population' and location of major gifts/ donors, the proportion of wealth donated, the new entrants to the field and its exits, and last, but certainly not least, the total value of the major giving market and its key trends over time. We have a few indicators, of varying degrees of relevance. HMRC estimates that £450 million of gift aid relief is due to higher-rate tax-payers for 2012, indicating, very roughly, giving of around £1.8 billion. But the HRT income threshold is very low in relation to understanding the giving of the very wealthy, and we do not even know how giving is distributed within this group (many small or a few relatively large gifts?).

With little official data on giving or gifts, we are forced to rely on sample surveys. To provide an estimate for total value, however, a survey of major giving needs to know how well it represents its target population, and because wealthy donors are an elusive and jet-setting group, we have no idea about the size of this population. Current surveys include:

1. General population sample surveys like NCVO/ CAF UK Giving, or the ONS Living Costs and Food Survey do not capture sufficient numbers of very wealthy donors or gifts or make accurate estimates.
2. Surveys dedicated to major giving such as the Coutts Million Pound Donor report tell us a lot about the million pound gifts of respondents, estimated at £1.2 billion, but cannot say what share of the total given through million pound gifts this represents, nor how much annual variation is simply due to differences in

respondents, not in giving. An open question is what range of gift values below £1 million would need to be considered to get a true measure of major giving.

3. The Foundation Giving Trends (FFGT), provides a good estimate of annual trends and of total major giving through foundations, currently £1.3 billion, because it is based on the audited data of a consistent sample over time, but it does not tell us about direct giving outside foundations.
4. The Giving Index of the Sunday Times Rich List offers tantalising glimpses into super-rich giving, but its annual estimates are a red herring because figures are determined principally by who completes the survey in any one year (and many do not), and it mixes pledges, direct giving and gifts into and out of foundations.
5. Figures for charitable bequests are compiled from official estates data by Smee and Ford, but the estimated £2 billion includes a very wide range of charitable bodies.

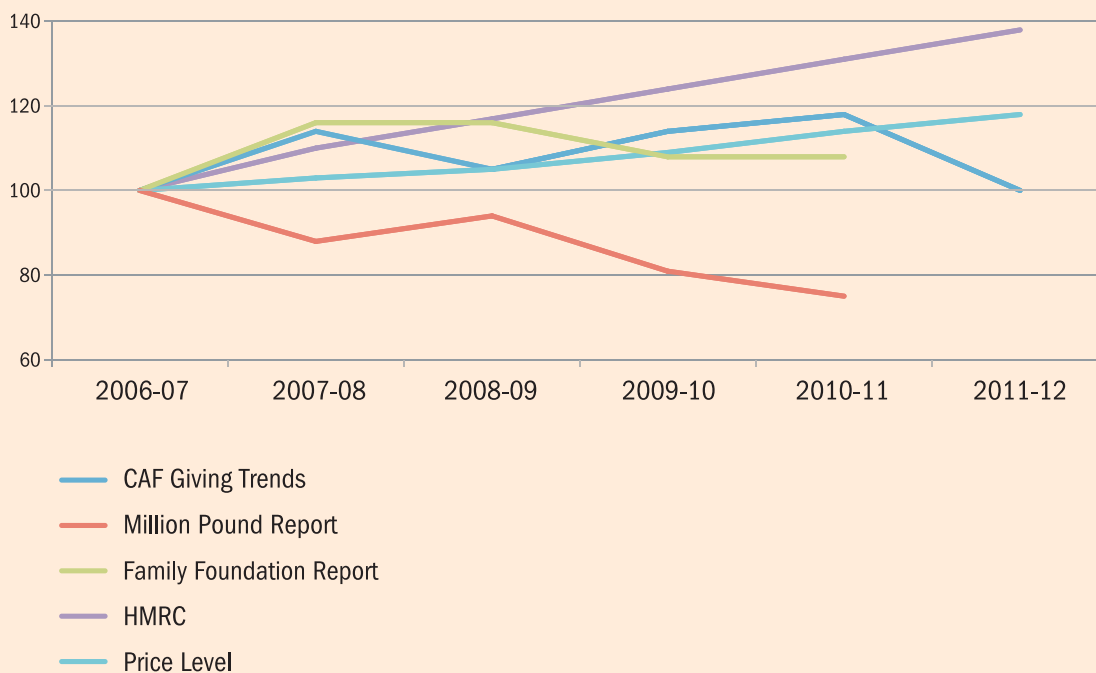
To sum up, our knowledge of the state of major giving today resembles the boxes of mixed jigsaw pieces you see at local jumble sales, containing many interesting bits with no indication of whether they all fit together, or how much is missing.

The recent flow of conflicting giving survey results bears witness to the risks of only seeing the bits, and never the full picture. We do not need the 'map' to understand aspects such as motivation, the role of philanthropy advice, demand for particular giving vehicles or the social impact of individual gifts. But without one, we cannot assess growth, change, or the impact of government, private and charity sector philanthropy initiatives. This gap is all our business. How can we tackle it?

In terms of research methodology, three main tasks are:

- to agree a common, standardised, approach to defining major giving for the purposes of measurement over time
- based on an agreed approach, to collect consistent data through:
 - surveys of gifts at source, through donor reporting, foundations and companies' annual reports and accounts
 - surveys of gifts and legacies as received by charities and other charitable organisations;
 - administrative data from HMRC on, for example, the costs of charitable tax relief, including inheritance tax relief.

Giving Trends: who do you believe?



- to collate data from different sources into a coherent picture, explaining differences in results – a vital stage missing from current measurement.

Each data collection exercise brings its own challenges, but we could begin by reviewing the strengths, overlaps and gaps in current data and identifying essential additional work. One challenge is the discontinuity in the boundaries of data collected from different sources: while tax data reports a donor's total annual giving, individual charities can only report the particular gifts. Building a dataset of major gifts as received would require charities to participate widely in collective and standard reporting on their major gifts. Carrying out a new survey of donors with an adequate sample of major giving would come at a cost, and it is not clear who would pay. Would charities and infrastructure bodies be willing to pool current research resources to achieve a better result?

Defining what we want to know and scoping what is feasible are the first steps. We can't have everything. HMRC has offered updated analyses on use of Gift Aid and payroll giving by higher and additional rate taxpayers, including the proportion of higher rate taxpayers who report using Gift Aid, and how this breaks down by gift size and percentage of taxable income given. Currently such data are only available up to 2003-04, based on the 500,000 or so higher rate taxpayers who claimed Gift Aid relief on self-assessment tax returns at that time. Data show that about three-quarters give around £1000 or less, and that just 2% of such donors gave more than £10,000 per annum, around 59,000 donors. Current figures are likely to be

higher than this, because of growth in Gift Aid. Tax data excludes those not claiming tax relief, gifts out of foundations or companies, and pledges, but could include legacy giving. It offers one fairly solid set of parameters on which to build understanding of major giving and design supplementary research. Certainly donors giving £10k or more, or gifts of this size, are poorly represented in current research.

There is clearly considerable information out there, but the preconditions for joining up these bits are agreeing what we want, a general will to prioritise the need for a better evidence base, and a willingness to work together and share research data and resources to get it. Are we ready for the challenge?



Cathy Pharoah is Professor of Charity Funding and Co-Director of the ESRC Centre for Charitable Giving and Philanthropy, Cass Business School (CGAP). CGAP was the first UK Centre with dedicated funding to study charitable giving. Cathy produces the annual *Charity Market Monitor*, which updates figures on the income and expenditure of the UK's top 500 fundraising charities, and the annual *Family Foundation Giving report*, with the *Pears Foundation*.

Dispatches from the philanthropy front line

Mr. X came to see us on a grey day in London to set out his philanthropic vision for supporting the next generation of philanthropists in Britain. Some of his truly generous plan fitted squarely within what is recognised as 'charitable' while some of it – though no doubt beneficial to society – did not.

Working through his goals and priorities in discussion led us to create a hybrid structure so as to work with the constraints of charity law (and those all-important tax reliefs) without sacrificing his vision.

Mr. X had come up from nothing and had worked hard to move beyond poverty and exclusion. He had benefitted from a scholarship at school and credits this experience with giving him access to opportunities he never would have had otherwise. Now that his entrepreneurial business had made him more money than he could ever realistically spend, he wanted to give the same break to young people, particularly those from ethnic minorities.

Looking at his own experience, it was clear to Mr. X that beyond education, entrepreneurship was the pathway out of economic and social exclusion. He wanted to support graduates to be next generation of entrepreneurs by investing in their business ventures after a few years on the job market. It seemed unlikely to Mr. X that these investments could be justified on their financial return prospects – they were in reality likely as not to end up, effectively, as gifts. After a great education and a few years working, the entrepreneurs would no longer be poor themselves, but they would still need professional nurturing and finance to get them off the ground.

Mr. X wanted our help in establishing a charitable foundation to do this work. He thought the foundation's work would improve society by enabling poor, excluded young people to participate and

themselves improve society by creating jobs. If this worked, Mr. X wanted to set up local charities in several other jurisdictions he had come to love through his international work and travel.

Now reader, sometimes we meet some *interesting* giving motives on the philanthropy front line (no doubt many of you have too)but take my word, Mr. X seemed entirely altruistic and generous to me. With such genuine motivations, it came as a shock for him to learn that creating jobs and stimulating the economy through investment is not itself 'charitable' and that, for this reason, the second stage of his giving vision would be difficult for an English charity.

We talked about the benefits of charitable status and about various ways that parts of the entrepreneurial support stage might be charitable. In the end, however, the constraints of charity law were starting to look like a bad fit for this part of Mr. X's vision.

At this point there were two choices – should Mr. X shoe-horn his vision to fit the legal constraints of funding the whole programme through a charitable foundation or should we step back and see if there was a way to keep the vision intact?

Some donors might tailor their plans to ensure that they can be undertaken by a charity and therefore that their giving will be properly tax-relieved. Others, like Mr. X, as it turns out, have a particular project in mind and if part of it must be funded without the benefit of charitable tax reliefs, so be it.

For Mr. X, it was clear that pursuing the scholarship programme only would leave a key element of his project incomplete. What worked for Mr. X's philanthropic vision was a hybrid structure – the new charitable foundation would undertake charitable activities only and would fund the scholarships and other educational activities aimed at social exclusion. In parallel, a social enterprise would be set up to undertake the entrepreneurial 'investment' and ongoing support of the young entrepreneurs. This was likely to be non-profit, but if it did generate profit, gifts to the charity could be used to 'reinvest' in the vision (and mitigate corporation tax). No one likes added complexity but in this case a measure of it – and a bit of flexible thinking – allowed Mr. X to implement his whole vision.



Alana Lowe-Petrasko is a solicitor at Withers LLP. Her practice focuses on tax-efficient giving by corporate and individual donors, including advising on the structuring of philanthropic giving vehicles, terms of direct funding, venture philanthropy, social investment and succession issues in family philanthropies.



Have I really funded an air to ground missile?

For some time I have been funding a project in Uganda. As part of a community development project my foundation has been funding the building of a number of boreholes providing fresh water to villages who previously had no access to water other than from rivers and water holes which were often several miles away.

Each borehole costs \$10,000 and serves 1,000 villagers. Assuming that the boreholes operate for five years before requiring replacement or major repair, that works out at a cost of \$2 per person per year for fresh water. Not only does this have immediate health impacts in terms of preventing waterborne disease, it enables children to attend school and prevents the incidents of rape of young children who have to stray outside their own village to collect water.

That all sounds like great value for money for the donor with the added bonus of a feel good story which is easy to tell. However, if it is

such good value for money for the donor why hasn't the Ugandan government paid for this already?

In the last budget, the Ugandan Government had about \$109 per person to spend. It is not much, but it is enough to provide some basic necessities. The budget figure for water and the environment is \$1.87 per person.

Does the government deliberately slow down the provision of clean water because it knows that charities will step in, and are charities

Uganda: Key facts

- Population: 36 million.
- 24.5% people live in poverty, about half the level 20 years ago.
- One third of Ugandans lack access to clean water.
- International donors such as the World Bank and the UK's Department for International Development (DFID) fund approximately 30% of the Ugandan Government's budget.
- DFID suspended £11 million of aid to Uganda in November 2012 because of corruption concerns.

happy to step in because they know that boreholes are an attractive project for donors? If that is true then the real impact of my donation is not the borehole, even though I can see it and I know it was built and it is being used. The real impact of my donation is on whatever the government spent the money which was freed up as a result of my donation. In the same year the government spent £17.19 per person on fighter jets. Perhaps there is a ground to air missile with my name on it.

I have quizzed the charity in question about the question of financial displacement and there doesn't seem to be much thinking beyond the simple provision of the borehole and the immediate impact on the community.

I will get to the bottom of it. It may be that these boreholes were on the list to be done but would only have happened in several years' time. If that is the case I have speeded up the provision of water by three years and maybe I should just look at the three years of benefit for the village and be happy with that.

In future I will be asking far more questions about the bigger picture of how these projects should be funded to make sure that I am not merely letting the government off the hook and freeing up resources to be spent elsewhere. The only clear way to do this is to pick projects which have impact but which are just beyond the government budget at the present time.

As a donor I rarely see an argument presented that includes an analysis of how the donation fits into the bigger picture of funding.

I can see how it suits some donors not to ask too many questions. Donors like to be able to say how much impact their donation has had and there may be a willingness to accept a simplified picture of what is happening. In truth both charity and donor would be better served by thinking a bit deeper.

I don't think this problem is limited to developing countries. I often see projects raising money for equipment which really should be on the NHS budget. As long as people are willing to step in and pay for them the NHS is happy to stand back and let them get paid for. Again the real impact of this type of donation is whatever the freed up funds were spent on not the shiny new scanner itself.



The Secret Philanthropist is a successful British entrepreneur.

Overheard On Twitter: 5 trending stories last month on #philanthropy

The 'hashtag' is a way to give your tweet a theme, so we looked through some of the most 'retweeted' articles on #philanthropy to give you a flavour of what has got people buzzing over the last month (in no particular order):

1. 'Philanthropy must do more to influence policy, say government officials': the Chronicle of Philanthropy reports on a major US conference that looked at public policy as the route to 'big impact' for philanthropy: <http://philanthropy.com/article/Philanthropy-Must-Do-More-to/137301/>
2. 'Notes on the limitations of Strategic Philanthropy': a foundation veteran argues in The Nonprofit Quarterly that the merits in not being strategic are often overlooked: <http://www.nonprofitquarterly.org/philanthropy/21690-notes-on-the-limitations-of-strategic-philanthropy.html>
3. 'The Most Generous Philanthropists in Africa 2012': their giving is still in millions rather than billions but this guide from Forbes magazine will help you understand the new wave of donors coming out of Nigeria, Kenya, Uganda, and even Zimbabwe. <http://www.forbes.com/sites/mfonobongnsehe/2013/01/20/the-most-generous-philanthropists-in-africa-in-2012/>
4. 'Next Gen donors and their plan for greater impact': Gen X and Millennial donors really are different, says a new study reported in the Stanford Social Innovation Review: http://www.ssireview.org/blog/entry/next_gen_donors_and_their_plan_for_greater_impact
5. 'Is doing good "Good Enough"?': a provocative call to unleash the power of self-interest in philanthropy from the Huffington Post: http://www.huffingtonpost.com/josh-baron/is-doing-good-good-enough_b_2637865.html

All US stories at the moment, hopefully Philanthropy Impact Magazine will bring a voice from the other side of the pond to #philanthropy.

And don't forget to follow Philanthropy Impact on Twitter: @philanthropyimp

Fences Not Ambulances: the role of funders

by **David Robinson OBE**

Early action – building a fence at the top of the cliff rather than running an ambulance at the bottom seems like an eminently smart approach to public policy. You’ll struggle to find a practitioner or a funder, a policy maker or a politician who wouldn’t agree with the principle but it has seldom been embraced on any scale in public policy.

As the economic environment has deteriorated the fence building has particularly suffered, despite the recognition that good preventative work is about reducing needs and ultimately therefore about reducing costs and reducing deficits. The Early Action Task Force has been unpicking this paradox, considering why common sense is not finding its way into common practice and endeavouring to do something about it.

We began with language. The conventional language of prevention, avoiding the worst, presupposes problems, victims, perpetrators. It is pessimistic, reductive and discouraging. The language of “readiness”, becoming the best that we can be, identifies assets and builds on strengths. It is optimistic, aspirational and motivating.

The Early Action Task Force was launched in 2011 by voluntary sector leaders to answer the question “how do we build a society that prevents problems from occurring rather than one that, as now, copes with the consequences?” It has produced two reports: ‘The Triple Dividend’ (2011) and ‘The Deciding Time’ (2012).

We picture a society which is defined not against the countless things that don’t happen – heart disease, under achievement at school, violence in the family – but by reference to its strengths. Its people are ready and able to benefit from opportunity, to learn at primary school, to thrive in secondary, to succeed at work, to be good parents and, because we all experience difficulties at some point in our lives, they are ready and able also to manage adversity – to cope with losing a job or a relationship, to rebuild after illness or bereavement, to adapt to change.

We visualise this ‘ready for everything’ community at the top of a cliff where universal services and clear rules equip us to flourish, protect us from harm, prepare us for change. ‘Fences’ or prompt

interventions at the cliff edge respond early to problems which, if not forestalled, could lead to more serious difficulties. Further down those interventions become more focused on crisis, less likely to be totally successful and very likely to cost more.

A young person who starts showing behavioural problems at age five, and is dealt with through the criminal justice system will cost the taxpayer around £207,000 by the age of 16.

Alternative interventions to support changes in behaviour would cost about £47,000.

Source: Audit Commission, (2009) *Tired of Hanging Around: Using Sport and Leisure Activities to Prevent Anti-Social Behaviour by Young People* (London: Audit Commission & NHS England & Wales) p 24.

Earlier action yields a triple dividend – thriving lives, costing less, contributing more. Yet voluntary agencies that are delivering acute services with a queue at the door can’t immediately release the time or the money to track back and work on prevention.

If we believe that this journey is important and timely we must begin it with funders in the vanguard (as grantmakers are already doing by asking applicants for evidence of their environmental policies, which is driving change across the sector). First, by requiring Transition Plans, establishing milestones for the gradual shift of resources into earlier action. Second, by supporting the development of those plans with a kind of “grand bargain”: when a grant seeker asks for funding to meet the needs at their door the grant maker should offer 25% more – first to meet the need and then to reduce it. That or nothing.

The UK spends 11 times as much on youth imprisonment as on prevention.

Breakthrough Britain Rules of Engagement: Changing the Heart of Youth Justice.
A policy Report by the Youth Justice Working Group, January 2012. p.29:
http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJ_Youth_Justice_Full_Report.pdf

Once the strategy has been established it becomes realistic to plan for the steady migration of core funding, staff time and organisational capacity. But without dedicated funds most organisations will continue to meet the same needs, in the same way for as long as they can. Sadly, as we know, funds are disappearing and needs are increasing, so if this was ever an intelligent strategy it certainly isn’t now.

The Task Force is also talking to grant makers and investors about a joint fund that pays, and only pays, for transition to earlier action. It

wouldn't necessarily focus on any specific client group but would be entirely concerned with the success and replicability of the process of transition. This clarity of focus would ensure that the money is not sucked into paying for acute services no matter how valuable and it would enable us to build up a serious body of experience and expertise.

Ask anyone in the third sector about their long term vision; invariably they will talk about obsolescence, working for the day when they are no longer needed. It's the right mission but press further. What did your organisation do this week, this year to advance that day? Too often the answer is little more than an unhappy shrug. Many funders display a similar disjunction between what they do and what they think they are for.

We know that present trajectories, social, economic and environmental are all unsustainable. These escalating needs cry out for braver, bolder, more challenging leadership from third sector funders driving the shift to prevention and unleashing the triple dividend. We need change that is thoughtful, rigorous, sustained, and ambitious – a measured revolution but a revolution none the less.

Of the 23 strategic priorities declared by the Home Office, Ministry of Justice and Departments of Health and Education, more than half (13) “contain elements of early action” but the proportion of the budget spent early has stuck in recent years at just 6%.

Source: Controller and Auditor General (31 January 2013) Early Action: landscape Review (London: National Audit Office). P 13 Figure 2.
Which Source: National Audit Office analysis of departmental structural reform plans and Youth Justice Board business plan, 2012-2015.
http://www.nao.org.uk/publications/1213/early_action_across_government.aspx



David Robinson OBE, is a community worker, the co-founder of Community Links and now Senior Adviser. Community Links works with more than 16,000 people a year in East London and shares the local experience with policy makers and practitioners nationally through publications, training and consultancy. David also founded We Are What We Do and the Children's Discovery Centre. He is a trustee of the holding company for the Big Society Bank and, as one of the architects of the Social Impact Bond, chairs the Social Impact Bond advisory group.

Ten Things You (Probably) Didn't Know About Philanthropy in Germany

by Michael Alberg-Seberich

1. The number of foundations in Germany has doubled since 1990. According to the German Association of Foundations (www.stiftungen.org) there were 19,551 registered foundations in Germany in December 2012, up from 10,000 in 1990.
2. German foundations have approximately €70 billion (£60 billion) under management and made grants worth around €17 billion (£14.7 billion) in 2012. (As well as foundations, Germany has a large number of charitable trust funds, Treuhandstiftung, many of which will later become foundations.)
3. The largest foundation in Germany, with an endowment of more than €5 billion (£4.3 billion), is the Robert Bosch Foundation (www.bosch-stiftung.de).
4. Germany's largest grantmaker is the Volkswagen Foundation (www.volkswagenstiftung.de), which made grants of €119 million (£103 million) in 2012.
5. Germany has a long tradition of philanthropy. The Fugger Foundation, for example, was founded in 1521 to finance the oldest social housing project in the world, the Fuggerei in the city of Augsburg (www.fugger.de), that still exists today.
6. The legal framework for foundations in Germany is improving, including new tax reliefs for charitable foundations introduced in 2006/07.
7. The city state of Hamburg is the number one location for foundations, by number of foundations, out of the 16 states that make up the Germany Federal Republic.
8. Social investment is taking off in Germany. The Federal Ministry for Family Affairs launched a new programme of support for social enterprises in October 2012.
9. Germany leads in cross-border giving. The judgements made in the European Court of Justice in the Stauffer and Persche cases (2006 and 2009 respectively) revolutionised cross-border giving for Germany, but other EU countries have been slow to catch up.
10. Tithing through church taxes remains important which often leads to Germany receiving a low ranking in global giving comparisons.



Myths and magic: philanthropy in India 2013

by Alison Bukari

There are many myths and assumptions about Indian philanthropy, generally starting with the fact that there is not enough of it and not enough that is strategic and developmental.

However unlike certain countries that have never had a tradition, India, across its many religions, has a history of giving to the needy, a charitable approach that sees temples accruing fortunes through *daana*, tithing and *wakf*.

In recent years India's social problems, social innovation, social entrepreneurship and the need for a more local solution rather than a reliance on international aid, are all subjects that have become more commonplace in dialogue and the media. Bill Gates has visited on a number of occasions to tout his pledge idea, but India is slowly starting to build its own momentum and own agenda for building a more equitable society.

The leading lights of Indian philanthropy are industrialists such as the Birlas, Bajajs and Godrejs who all founded their endeavours pre-1900 and maintain a culture of family and corporate giving. The real role model in India, however, has to be the Tata family who started their foundation in the late 19th Century and are today the most

respected philanthropic institution in the country. The various Tata trusts control 66% of the shares of the main Tata holding group Tata Sons.

Building on this rich tradition, philanthropy in India has really come to life in recent years: over 62% of foundations in India today were founded since the economic liberalization of 1990. By 2010 private philanthropy in India had nearly doubled from figures reported in 2006 – reaching almost 0.4% of GDP and over \$5 billion. Yet a recent Bloomberg TV debate carried the motion that 'India is mean'. Compared to the US, where private philanthropy amounts to c. 2.2% of GDP, Indian philanthropy is still relatively low, particularly for a country ranked fifth in terms of the number of billionaires, 46 at the last count by Forbes magazine.

A large constraint on the growth of philanthropy is the tax system, which is much less generous than in the US or the UK. At present, only 50% of a charitable donation is eligible for a tax deduction and even this is capped at 10% of gross total income. Grantmaking is hampered by the lack of regulation of the charity sector. There is no equivalent to the Charity Commission and, worse, no single ministry or governing body oversees the non profit sector. There are over 12 different ways of registering a non profit and only the 'Section 25' non profit company has the level of transparency on reporting that could be helpful to a philanthropist. When the Indian government surveyed the non profit landscape back in 2009 it estimated that there were over 3.3 million registered entities. The sector is large, poorly governed and opaque.

A rural entrepreneur at a market, supported by Mann Deshi www.manndeshi.org, an NGO working on financial inclusion, banking and business skills development for rural women. Supported by Dasra through funding and capacity building 2009-2012.

Photo: Charlotte Anderson 2010.
Location: Satara, Maharashtra





Indian Philanthropy Forum Conference 2012 Mumbai. Satish Sahney, former Police Commissioner; Luis Miranda, philanthropist; moderator Meenakshi Ganguly; Ken Roth, Executive Director of Human Rights Watch; and Priti Patkar, founder of Prerana (an anti-child trafficking NGO), in a discussion about encouraging philanthropy in human rights.

As a result, a large proportion of these foundations have been set up as operational foundations, developing their own projects rather than supporting and scaling high impact non profits.

This lack of information is compounded by the weakness of the philanthropy advice sector. Intermediary organizations and advisors are emerging slowly but from a low base and the advisory sector is still tiny compared to the non-profit sector. A number of online platforms such as Guidestar, GiveIndia, Credibility Alliance, Samhita, have emerged recently but rarely analyse and present information about more than a few hundred charities or go beyond the mainstream sectors of health and education.

Despite these problems, there is a huge and urgent opportunity for givers in India. India has more poor people in its eight poorest states than in the whole of Sub-Saharan Africa. India is home to 30% of the world's poor, 25% of the world's birth-related deaths, 25% of the world's people with no access to improved sanitation, and c. 37% of the world's illiterate men and women, two thirds of whom are women. India is also a functioning democracy, has large-scale government schemes and not only a fast growing high net worth class but also a burgeoning middle class. There is freedom of the press, a growing interest in equitable growth and philanthropy across the media, and with less exposure to the global financial crisis the general environment for solving social problems is far more conducive than in more unstable countries.

The most effective philanthropy in India will be collaborative, long term and strategic. It will deploy knowledge (research and evidence-based decision making), funding (long term, strategic) and people (networks, skills, experience and leadership). We need to get local philanthropists working together with international donors, ensuring that global best practices are understood, local context is paramount, and local networks can be tapped. The good news is that there are organisations emerging who are driving this change – Dasra is now in the 4th year of its Indian Philanthropy Forum – a collaborative giving platform that sees donors commission research and join giving circles that are raising in excess of \$1 million for selected high growth non profits. The forum hosts regular events such as Dasra Philanthropy Week in Mumbai 4-6 March. <http://www.dasra.org/events-rsvp> where over 600 social sector and business leaders will meet to discuss how to solve some of India's critical social problems.

There is a big difference between charity and aid – reacting to disaster and hardship with a short term solution and the kind of long term, sustainable problem solving that can be achieved with strategically deployed philanthropic capital. I believe that in India there is an exit strategy for international charity eventually, and far sooner in India than many countries, so if you were to take a value for money approach – a £1 invested in India now has the potential to deliver far more value for money and lasting impact than a £1 invested in many other countries.



Alison Bukari is a specialist in non-profit management with over 10 years' experience of the Indian social sector. Alison oversees Dasra's UK presence, working with philanthropists interested in strategic philanthropy in India, alongside other consulting projects.

It Started With A Click

by Michael Green



“Our goal is to create a really big base of support and then ramp them up the engagement scale”, explains Alnoor Ladha, a partner in Purpose.com, probably the hottest online campaigning organisation in the world.

Mr Ladha is responding to the common critique that social media is great for getting thousands or millions of people to ‘like’ or ‘retweet’ a campaigning message about gay rights or global justice but unproven at raising serious money. There have been plenty of false dawns for digital giving before. Can Purpose.com finally turn ‘clicktivism’ into a major new fundraising channel?

In 2005, back in the social media dark ages, when no one had heard of Facebook and Twitter was a mere gleam in Jack Dorsey’s eye, a group of Australian activists started GetUp! as an online campaigning platform to challenge government policy on issues such as counter-terrorism laws, migration and climate change. Based on that success, in 2007 one of the group’s founders, Jeremy Heimans, joined a new global campaigning platform called Avaaz (‘voice’ in Farsi). Over the last six years Avaaz has mobilised citizens around a diverse set of global issues from Iraq to Zimbabwe to internet freedom and now claims more than 15 million supporters.

Purpose.com is Mr Heimans’ latest venture, not a campaign itself but an incubator for new campaigns. So far it has spun out organisations working on nuclear disarmament (Global Zero), gay rights (All Out) and citizens’ rights in Brazil (Meu Rio), as well as earning revenue by providing consultancy services to companies like Google. Mr Ladha, as well as being a partner in Purpose.com, is leading their flagship new campaign on global poverty called ‘The Rules’, what he calls “the world’s poor organising using technology”.

The Rules will start with rapid, low-cost mass mobilisation online, which is the great strength of social media based campaigning. Avaaz, for example, has five times as many supporters as the much older and much bigger Amnesty International. Yet, as *The Economist* recently snarked, “many pay money to join Amnesty, whereas you can join Avaaz for nothing in ten seconds, depending on how fast you type.”

Mr Ladha thinks that this is missing the point, citing lessons learned from the trendy new school of ‘behavioural economics’ made popular by Richard Thaler’s bestseller *Nudge*, whose fans include Prime Minister David Cameron. “Behavioural economics shows that action precedes belief”, Mr Ladha explains. Get people doing things by offering “low barrier actions” (like clicking an online petition or replying to a text) and then you can ask for more, is the philosophy.

Purpose.com opened a European office in London at the end of last year, with a launch at the Royal Society of Arts including big-brained Labour Party almost-leader David Miliband as guest speaker. The Rules is its immediate priority. So too is applying their techniques to changing behaviours, as practised by the ‘Nudge Unit’ in the Cabinet Office that played a role in writing the Giving White Paper in 2010. Can Purpose.com kickstart online giving?

Fundraising has not been the principal goal of most of the campaigns Purpose.com has incubated. (Indeed, The Rules consciously challenges traditional campaigns about global poverty, from Live Aid to Make Poverty History, that were all about aid, focusing instead on issues like the City of London’s role in providing a safe haven for the ill-gotten gains of foreign dictators.) But, when cash is needed, they claim big success, such as when All Out raised \$60,000 in 72 hours to do an emergency airlift for Iraqi gay rights activists whose lives had been threatened.

More important than the sum raised, according to All Out CEO Andre Banks, is the fact that the money was raised from nearly 3,000 individuals, mostly in the 16-35 age range and for 70% of whom it was their first donation to a LGBT cause. All Out, like other Purpose.com campaigns, seems to be reaching out to a new generation, growing the pool of donors. Mr Banks attributes this success to the way they have made giving “just one more action” on top of the regular requests (“we keep activating them every two weeks”) that go out to their members to sign petitions and send e-mails. And having got people giving, the next step, Mr Banks says, is to get them giving regularly and giving more.

Purpose.com shows that looking at giving, on or offline, in a vacuum is a mistake. Giving is, by definition, a “high barrier action”, so the ‘ask’ works best on those who are already engaged and doing something for the cause. Even if it’s just clicking on a Facebook page.



Escaping the *Prisoner's Dilemma*

understanding the UK charity sector's ability to do its best to do good

by Kurt Hoffman

The UK charitable sector¹ is economically significant, ranking in the top half of all UK productive sectors in terms of gross income and expenditure, balance sheet assets under management, employment, rate of job creation and number of customers and/or beneficiaries.

It has an absolutely central role in tackling society's ills and acting on our behalf to help the neediest and most vulnerable. The charity sector is also driven by the very best of intentions. Yet the particular way that we, as a society, have chosen to fund the work of the charity sector may severely constrain its ability and desire to do its best to meet our expectations – despite everyone's best intentions. It is a classic “prisoner's dilemma”, where each actor responds logically to the incentives they face only to produce an outcome that is bad for everyone. Escaping this dilemma will require us to rethink our centuries old way of using private money to fund charities and to recast the next engagement between the sector and the Chancellor from a demeaning tussle over levels of tax relief to a joint effort to restructure the way traditional charities are financed and build an infrastructure that will help the sector deliver the full measure of social value that we demand.

The estimated ranges for charity spending on fundraising in the US and the UK go from c.15% to 50%. If we take the 33% midpoint of this range for illustrative purposes, this percentage is easily more than three times the average costs of raising commercial finance in the private sector. When applied to the UK charity sector's estimated total income between 2000 and 2012 of c.£410 billion², the amount “wasted” on charity sector fundraising (that is, net of what it would cost the private sector to raise the same amount of money) over that period comes to approx. £124.5 billion that should have been spent on doing good.

Worse, if up to 50% of the time of charity leaders is spent on fundraising, this obviously limits the amount of time/effort that can be devoted to other essential tasks – such as planning, managing staff, running day to day operations, fixing problems, for example. But most important of all, when the best and brightest working in the charity

sector are spending so much time fundraising, this happens at the expense of devoting conscious effort to innovating and improving performance³ – which is by far the most important source of value creation in every other productive sector in our economy. This misallocation of effort, allied with the failure of governments and philanthropists to support the pursuit of innovation in the sector – which government especially does on a major scale for the rest of the productive sector – imposes a huge opportunity cost on the most vulnerable and is collective madness from a societal point of view.

The broken capital market for charity also means that philanthropists and charities of all sizes are forced to competitively pursue and then maintain multiple, bilateral fundraising, transaction management and reporting relationships. This is grossly inefficient and socially costly. It discourages co-operation – when co-operation should, in mission terms, really be their default mode of operation. This in turn, severely inhibits the sharing of best practice, shields philanthropists and charities from getting objective, constructive criticism of their performance and constrains the sort of cross fertilization of ideas and experience that leads to innovation. It may generate just enough funding for charities to carry on but in fact it lowers average performance standards of the sector below what is possible and thus imposes further opportunity costs on the most vulnerable.

High funding transaction costs married to low barriers to entry directly contribute to the emergence of a highly fragmented charity sector with very large numbers of very small charities and very small numbers of medium to large scale charities. Whilst it's often argued this small-scale tail of the charity sector is a good thing as this is how the most urgent, local social ills are best addressed, in fact there is a well understood and documented set of socially costly *structural* features associated with the small-charity dominated UK charity sector – known in the field as “voluntary sector failure”. Small charities can raise enough money to survive but are unable to generate resources on a scale adequate and reliable enough to deal successfully over sustained periods with the complex challenges they choose to focus on. Small and even medium sized charities which are top performers still find it extremely difficult to access the funding they need to “go to scale”, so their unit delivery costs remain high and the

The prisoner's dilemma is a canonical example of game theory that shows why two individuals might not cooperate, even if it appears that it is in their best interests to do so.

wider community of potential beneficiaries is denied access to the unique solutions they offer. Finally, charities tend to be unevenly distributed across locations and problem sets, a kind of philanthropic “particularism” that is pronounced in the UK and very costly from a community and societal perspective.⁴

At the root of these problems is the prisoner’s dilemma: to succeed individually within the dominant funding paradigm, the primary stakeholders in charity sector are compelled to follow behaviours that collectively produce a sub-optimal outcome. Charities, we know, vary widely in terms of impact and quality but the funding paradigm means that they have little interest in comparative assessments of their performance. So unless the philanthropist uses some form of rigorous, objective, comparative performance analysis to choose the best performing charity to fund (which most do not), the risks are high that many philanthropists will not choose the socially optimal performer⁵. Even philanthropists focused on impact prefer supporting charities/projects with very specific goals whose actions in turn only address one aspect of systemically caused problems. Yet we now know that solving these systemic problems almost always requires community-embedded, collective action by many parties. So, stand-alone, project/issue specific charity/philanthropist partnerships may not deliver socially optimal solutions.⁶

The scale of the resulting social costs of this systemic underperformance is potentially now so significant that the time has come to consider a fundamental reorganisation of the way we fund the charity sector. The first step in reconstructing the capital market for charity must be to produce rigorous case study and comparative data. This is essential to prove the superior social and economic value generated via the work of philanthropists and charities, compared to government spending, that is the only justification for tax subsidies to giving. It will also help us to understand what forms of philanthropy and charity work best to solve different kinds of social problems and deliver a constant stream

of social value adding innovation and performance improvement over time. Finally, it will guide us in the design of the right kind of policies and infrastructure needed to make all of this come about.

Equipped with this sort of empirically based understanding of how it works best, the charity sector will be able to take the lead in proposing to the government a much more constructive platform for engagement that offers the prospect of win-win outcomes for all parties around the important issue of how to help the charity sector maximize its contribution to society. This, in turn, will help the government to tone down its cheerleading efforts to get us all to “give more” and instead take the lead (with institutional philanthropies in close support) in promoting and funding this kind of social value adding knowledge generation for the charity sector.

The widely offered but lame argument that the current UK charity tax rules are the best we can do is simply not good enough. Insights into giving from experimental and behavioural psychology and economics indicate that exploiting the “peer”, “menu”, “attractiveness”, “leverage” and “match” phenomena (among others) triggers additional charitable donations from a given population. Moreover we know tax system experiments in the US and elsewhere have shown that finely honed packages of contribution credits, deductions and targeted tax incentives (facilitated by automated withholding and allocation algorithms) can ensure charitable contributions are both maximized and used in a more socially optimal manner.⁷

The government has the mandate and the convening power – though neither the insight nor political will – to initiate this process. But these alone are not enough, as the government cannot bring about these changes on its own. It needs a willing, innovative, well informed and adequately resourced charity sector as partner. In future essays for **Philanthropy Impact Magazine**, I will be looking further at how key stakeholders in the UK charity sector can help bring this about.



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1. In this note, the main reference and target groups are registered and unregistered charities but not social enterprises), philanthropists of all kinds – and philanthropy advisers, the “giving public” and government. I recognize, of course, the importance of the social finance and social enterprise sector as a major source of new ways to finance and deliver some social goods. But that segment of is the UK social economy is still relatively small, so I concentrate our critique on the large remaining rump of sector funders and service deliverers still relying on and providing traditional charitable and grant funding.

2. My estimate includes NCVO (NCVO UK Civil Society Almanac 2012) recorded voluntary sector income for the period 2000 to 2009/10 of £302bn plus an estimate of £36bn each for 2010/11 and 2011/12 which brings it to £374bn plus an estimate of £36bn over the whole period for value of output of unpaid volunteers which is probably only a third of the actual.

3. The kinds of effort required to innovate and continually improve performance in the charity sector – and the outcomes that result – are very different and not highlighted or captured by the kind of “impact measurement” the sector is currently being compelled to spend valuable resources on. This topic will be the subject of a subsequent essay.

4. For the seminal thinking and analysis of “voluntary sector failure” see Salamon, L. M. (1987) *Of Market Failure, Voluntary Failure, and Third-Party Government: Toward a Theory of Government-Nonprofit Relations in the Modern Welfare State* in *Nonprofit and Voluntary Sector Quarterly* 16 (1-2) 29-49, and for UK focused examinations see Rose Lindsey (2012), *Exploring Local Hotspots and Deserts: investigating the local distribution of charitable resources*, CGAP Working Paper, June 2012.

5. The UK Cabinet Office now believes comparative selection techniques such as Randomised Control Trials are the best way of selecting the best policy. Presumably they would endorse the much wider use of RCTs by UK philanthropists. See L.Haynes et al (June 2012) *Test, Learn, Adapt: Developing Public Policy with Randomized Control Trials*, Cabinet Office, and Caroline Fiennes (2012), *It Ain't What You Give, It's the Way that You Give It* (Giving Evidence Ltd, London).

6. See the growing interest in pursuing collective solutions to complex social problems compared to concentrating as most charities and philanthropists do on trying to solve problems via individual, stand-alone projects. John Kania and Mark Kramer (December 2011), *Collective Impact* (Stanford Social Innovation Review) and Paul Schmitz (2012) *Everyone Leads: Building Leadership Community Up* (Josey Boss, A.Wiley, USA).

7. See Robert J. Shiller (2012), *Finance and the Good Society* (Princeton University Press) and Tim Harford and Sarah Smith (June 2012) *Increasing charitable giving – what can we learn from economics?* (The Centre for Market and Public Organisation:University of Bristol).