

Philanthropy

Beth Breeze reviews the latest trends.

The Chinese belief in the power of the number eight is the reason that the Beijing Olympics began at precisely eight minutes past 8am on the 8th day of the 8th month, 2008. That number also proved auspicious to UK philanthropy as this was the year that eight-figure donations became, if not commonplace, then certainly not the complete rarity they had hitherto been.

An eight-figure donation is one that is worth between £10-99m. The year began with a gift at the top end of that bracket, worth £98.5m, when art collector Anthony d'Offay announced his intention to sell his art collection, valued at £125m, to the Tate and the National Galleries of Scotland for their original price tag of £26.5m. By foregoing his profit, d'Offay also ensured that works by some of the UK's most important contemporary artists remain in this country.

The following month, Israeli shipping magnate Sammy Ofer announced a donation of £20m to the National Maritime Museum, which he followed up in July with a further £3.3m to secure the future of the Cutty Sark. Ofer's act drew praise from Gordon Brown who described it as "a unique gift to the nation".

The publication in May of the annual *Sunday Times Rich List* confirmed that the philanthropic boom was continuing at full speed. The combined donations of the 30 top donors on the rich list amounted to £2.3bn, almost double the £1.2bn reported in 2007.

June saw the first fruits of the UK's nascent efforts to attract serious donations to the university sector. Unlike the US, where Ivy League universities frequently figure amongst the nation's most popular fundraising charities, higher education this side of the Atlantic has struggled to make the case that private donations are needed to supplement state funding. A government scheme, announced in 2007, to kick-start donations to this sector by providing £200m of matched funding showed results with two major donations to the nation's most prestigious universities. Cambridge alumnus Ros Edwards promised £30m to New Hall, which will be renamed in her honour, and Oxford alumnus Michael Moritz pledged £25m to Christ Church College.

July brought news of the year's only nine-figure charitable donation, when hedge fund manager Chris Hohn announced he had put a further £340m into his Children's Investment Fund Foundation, taking his total giving to £800m. Hohn's giving is distinctive not only in scale but also in style, as he has built philanthropy into the heart of his business model: 0.5 per cent of all assets invested in his hedge fund are donated to his foundation and a further 0.5 per cent of profits above 11 per cent returns are also automatically donated to the foundation. After a summer lull, the Autumn brought news that Tory peer Lord Ashcroft announced he would be leaving 80 per cent of his wealth to establish a new charitable foundation. It is estimated his legacy will be worth £900m. The following month Labour peer Lord Sainsbury of Turville, who is taking the opposite tack of distributing his wealth before he dies, announced an £82m donation to establish a new research laboratory to study plant biology at Cambridge University.

This steady stream of major philanthropic acts throughout 2008 was accompanied by the continuing maturity of the entire philanthropic sector, including the further

expansion of philanthropy advisory services, the growing use of philanthropic intermediaries and the development of the overall infrastructure required to support this burgeoning part of UK society. Foremost among these developments was the launch in October of the new UK Centre for Charitable Giving and Philanthropy. Funded with £2.2m from the Economic and Social Research Council (ESRC), the Office of the Third Sector, the Scottish Executive and the UK Carnegie Trust, the new centre is based at five UK universities – London, Kent, Southampton, Strathclyde and Edinburgh. Further information on those involved and their work programme can be found online at www.cass.city.ac.uk/philanthropy

Kent University made a head-start in producing new and useful data by publishing the first in an annual series of reports on UK charitable donations that are worth £1m or more. The research, sponsored by Coutts, is published in *The Coutts Million Pound Donors Report*, and is freely available to download at www.kent.ac.uk/sspsr/cphsj or at www.coutts.com/philanthropy The report identifies almost 200 donations worth £1m or more that were made in 2006-07, worth a combined total of £1.6bn. The causes most likely to receive donations of this size were found to be higher education, health and international development. Over half of these donations were made by individual donors, a third were grants made by professional charitable foundations and less than one in ten came from corporations. The most common size of donations was at the bottom end of possibilities, with 44 per cent worth between £1m-2m, and one in five worth exactly £1m. This finding led to speculation on the existence of a million pound ceiling. Might the kudos of being a million pound donor mean that people able to give more than a million have little incentive to stretch beyond this seemingly culturally resonant figure? A final key finding was that more of these mega-donations are banked in charitable trusts and foundations for distribution at a later date (56 per cent) than are spent by being donated directly to operating charities. Thus the philanthropic avalanche has not yet hit the bottom of the hill. While money committed to charitable foundations cannot be recalled by donors, neither is it accessible to beneficiaries until (depending on your perspective) it is strategically allocated or ceases being hoarded.

The key talking point in 2008 amongst us philanthropoids (people working in the philanthropy sector) concerned the merits of a modern approach to philanthropy labelled philanthrocapitalism. The *Economist* journalist, Matthew Bishop, coined this rather ugly term to describe a new wave of givers who take a businesslike approach to giving, using tools from the for-profit toolbox (such as leverage, risk finance and a focus on results and monitoring impacts) in their philanthropic endeavours. The counter-argument was published in March 2008 by Michael Edwards, a senior executive at the Ford Foundation and writing in a personal capacity. *Just another Emperor? The myths and realities of philanthrocapitalism*, argues that the capacity of businesspeople to solve social problems is over-hyped and fails to acknowledge that business is often the cause of, rather than a solution to, such problems. Edwards believes that philanthrocapitalism is “a symptom of a disordered and profoundly unequal world” and that philanthrocapitalists are motivated less by altruism than by a desire to prevent “the kind of backlash that greeted previous concentrations of wealth and power”. The heat was turned up on this argument when Bishop published his book *Philanthrocapitalism: How the rich can save the world*. Co-written with Michael Green (writing while on leave from his post at the Department

for International Development), the provocatively titled book enjoyed high profile launches at both the New York-based Clinton Global Initiative in September and in London in November. Bishop and Green claim their argument is misconstrued by critics (such as Edwards) who wrongly assume that being businesslike as a donor means treating charities like businesses. Rather, they argue that philanthropy is undergoing a necessary revival and reinvention by a generation of rich donors who want to be regarded as good billionaires and who have “*the potential to solve many of the biggest problems facing humanity today*”. Grandiose claims made by both sides of this argument may irritate many observers, but the key questions addressed on the role and potential for the new wealthy of the 21st century to engage with charity is of crucial concern to all involved in this sector. Engaging with the debate will repay dividends in understanding the state of philanthropy now, as well as the options for where it goes from here. Edwards’ pamphlet is freely downloadable at www.justanotheremperor.org and Bishop and Green’s website www.philanthrocapitalism.net contains a synopsis of their book and coverage of the ongoing debate.

Finally, the biggest story of the year, and one that will no doubt run on well into 2009 and beyond, is the scale of the impact of the global financial meltdown on major donors. Yet opinions differ as to whether the philanthropic boom will now inevitably turn to bust, or whether the crisis could be the making of major philanthropy in the UK. Those who take a pessimistic position point to the number of rich donors whose wealth is held in shares and property – two sectors of the economy hit hardest by the downturn. Furthermore, as many new philanthropists are young and still in the wealth-creating years of their lives, rather than retired, those inclined to worst-case scenarios suggest that such donors will likely concentrate their attention on stemming the loss of their fortunes and have no time to spend on wealth distribution. However, the counter-intuitive optimists predict that current events will force the richest slice of society to wake up and realise the importance of their support to the causes they care most about, which are confronting rising demand and decreased support from other quarters, notably investment income and donations from corporations and non-rich supporters. Donors always seek reassurance that their contribution will make a difference. If charities can communicate the extent of their unmet needs and explain why a particular donor has the future of a beloved cause in their hands, they may find their richest supporters more receptive to rising to the challenge than they dared hope. Over the Autumn, a succession of notable philanthropists – including John Studzinski, Michael Hintze and Lord Gavron – have delivered similar, upbeat messages. If charities work hard to explain why their donations are needed now more than ever, their most loyal wealthy supporters will stick with them, and may even dig deeper.

As 2009 unfolds, we will learn whose crystal ball more accurately captured the credit crunch consequences on UK philanthropy. Will eight-figure donations prove to have been a blip or become normalised? Will the update on million pound donors shows promising or worrying trends? And will philanthrocapitalism be victorious, defeated or (here’s hoping) renamed?

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