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Analyzing Canada's Philanthropy Support Landscape to Enhance Giving

By Michael Alberg-Seberich

This article is the second in a series about European philanthropy. The series is published as a collaboration between The Philanthropist and The Lawson Foundation.

How do we enhance giving in Canada? Or the positive societal impact of philanthropy? The answers to these questions seem to unite and divide the philanthropy sector. These questions were also my constant companions during six months as a Community Knowledge Exchange (CKX) Philanthropy in Canada and Mercator Fellow[1] in 2017. While there are many ways to approach these questions, my explorations focused on philanthropic gifts made by high-net-worth individuals and the philanthropy support infrastructure they can access in Canada.

As a European based in Berlin, the question of how to enhance overall giving is not unfamiliar. In Germany, the so-called *Bilanz des Helfens* (Balance of Help) of the German Donation Council closely monitors giving behaviour and amounts, providing an annual overview on the country's giving statistics. You can find similar studies in other European countries, as well as a growing number of comparative studies on the European social sector, such as the Fondation de France and Centre d'Etude et de Recherche sur la Philanthropie (CerPhi) 2016 study on philanthropy in Europe.

There is also an increasing body of research on the giving of high net-worth individuals, including Coutts' *Million Pound Donor Report 2017* or The Economist Intelligence Unit and BNP Paribas 2017 report, *Passing the Torch: Next-Generation Philanthropists*.

Similar reports exist in Canada, including the annual publication of giving numbers by Statistics Canada; Imagine Canada's Personal Philanthropy Project; or the recent *30 Years of Giving in Canada Report* by the Rideau Hall Foundation and Imagine Canada. In addition, the 2015 book *The Philanthropic Mind* by Chuck English and Mo Lidsky explored the giving of wealthy Canadians. Public figures, like former governor-general David Johnston, have also tried to put giving on the national agenda.

The large number of social enterprises linked to philanthropy that now exist in Europe demonstrates the potential for (social) innovation to enhance giving. Examples include the charitable crowdfunding

platform goteo.org and the scaling initiative UpSocial (both created in Spain); the growth of the retail giving initiative *Deutschland rundet auf* (Germany rounds up); and Nesta's Innovation in Giving Fund in the UK.[2] In Canada, the number of giving innovations, especially in the digital space, are inspiring for the outside observer. Some examples are canadahelps.org, benevity.com, or kindvillage.com.

Why infrastructure?

While these are exciting innovations, my research instead focused on the philanthropy support infrastructure. Wikipedia defines infrastructure as “the underlying foundation or basic framework of a system or organization.” The philanthropy support infrastructure is therefore the system that services donors, including high-net-worth individuals, as they prepare to give a philanthropic gift. It is a complex ecosystem of advisors, intermediaries, associations, and other stakeholders. I would also – and this is more judgmental – describe it as a fragile system of gatekeepers.

Canada is in a fortunate and, to a certain extent, unique situation right now. There is an innate openness towards giving and civic engagement. Canada's seventh-place ranking on the Charities Aid Foundation (CAF) World Giving Index 2017 underscores the positive giving environment and culture.

Focusing the lens again on wealth, the fact that Canadians will inherit \$780 billion in the next decade (Tal, 2016), coupled with the data point that approximately 80% of Canadian businesses are family-owned (CB Insights/Deloitte, 2016) implies an opportunity for increased philanthropy. It is important to note that the wealth transfer seems to be happening with a 10- to 15-year time gap after many Western European countries or the United States. The same ecosystem of agents that support wealth and succession planning are also part of the philanthropy support infrastructure.

A recent Philanthropic Foundations of Canada (PFC) and Harvard Kennedy School study confirmed that the number of private foundations in Canada is on the rise (2017). In addition, a March 2017 article in *The Economist* describes the steady growth of Donor Advised Funds (DAFs) in Canada. The regular reporting of PFC and Community Foundations of Canada (CFC) on their respective constituencies confirms these trends. The establishment of giving vehicles, like foundations or a DAF, are closely intertwined with a functioning support infrastructure. The philanthropy support infrastructure is a crucial lever to change the culture of giving in a country. Therefore, the following observations raise questions about such systems everywhere where philanthropy is growing.

Canada's philanthropy support infrastructure

The donor sits at the centre of the philanthropy support infrastructure ecosystem. She or he is surrounded by a number of actors that directly support donors or shape the landscape of giving through their activities. A secondary periphery consists of government and other stakeholders that influence donor giving.

Thus, the periphery of the ecosystem consists, on the one hand, of the regulatory and supervisory government systems at the federal and provincial levels. On the other hand, there is a strong intersection with activities around social investing, social innovation, and corporate social responsibility. Social investing, or impact investing, is in many ways a logical extension of philanthropy since it consists of additional tools to strive for social good with money. The strong connection between social innovation and philanthropy in Canada appears to be a special characteristic of the Canadian philanthropic ecosystem. This has been documented in the *Stanford Social Innovation Review's* special section on

philanthropy in Canada (Winter 2018) and is evident in the creation of organizations like Social Innovation Generation (SiG) with the help of foundations.[3] Individuals often learn from corporate social responsibility (CSR) or corporate philanthropy and, in the case of family businesses, blend their CSR strategies with private philanthropy.

The support system also comprises classical advisory firms, specialist advisors, the providers of giving vehicles, the third sector, digital platforms, donor education providers, and associations and champions of giving.

The biggest group in the infrastructure ecosystem are the “classical” advisors like banks, lawyers, accountants, financial advisors, and, to a lesser extent, management consultants. For most of these service providers, philanthropy is often only a sidekick in their work. A small number also specialize in philanthropy and charity issues. An example of this is the growth of services for private wealth clients in Canadian banks. They also often offer specialist support in philanthropy as part of these services. Overall, this sector is one of the busiest in philanthropy because giving is often not possible without a lawyer, accountant, or financial advisor on your side. Private clients often start philanthropic conversations with the same advisors that they trust for other aspects of their life. The challenge is that many of these advisors focus on the machinery of philanthropy – how to set up a foundation, how to get a tax deduction – and not on the actual causes: the impact donors want to achieve. A study by UK-based Philanthropy Impact (Tillotson, 2016) shows that if these gatekeepers of giving would be better prepared, or if they worked in extended networks on the content and impact side of philanthropy, their clients would give more.

Providers of giving vehicles make up the other big group in the ecosystem. These are often the same players as the advisors because banks today also often host a foundation and most have created charitable vehicles for the management of DAFs. It is worthwhile having a closer look at DAFs as a key growth market of philanthropy. Traditionally they were the giving vehicle of choice if a donor partnered with a community foundation. This is still true today, but while giving to most charities remains steady, in recent years contributions to DAFs have increased more quickly. DAFs are a type of account held by a “charitable” entity. DAFs accumulate substantial amounts of capital without clear pay-out rules. This is something that needs to be re-evaluated. The same is true of the fact that, as mentioned above, many of the largest DAFs are now managed by charities initiated by financial institutions. Some experts claim that these DAFs move capital away from the charitable sector and have little understanding of public benefit. Ray D. Madoff published a detailed critique of DAFs in the United States in the 2016 essay collection *Philanthropy in Democratic Societies*.

But this is not the place to judge DAFs. However, looking at the philanthropy support system it is important to question the frameworks and stakeholders for each giving vehicle as well as their role in enhancing giving.

The receiving end of philanthropy is in most cases the third sector. In this sector, philanthropy ideally should lead to societal change. As an outside observer, it is frustrating to see that 1% of charitable organizations receive 60% of all revenues in the sector (Imagine Canada, 2014). In conversations with donors in Canada, I learned anecdotally that they directed most of their donations to two types of organizations: hospitals and universities.[4] In addition to this private support, older data suggests that these institutions receive core funding (approximately 75%) from the government (Haggar-Gruenette & Yu, 2007). In my view, giving to one’s alma mater or local hospital has become a social norm. This

may be taboo to mention, because both health and secondary education are causes of obvious importance, but as an outside observer you start to worry about a lack of pluralism of giving.

Advisors, vehicle providers, and the fundraising community also appear to be the important providers of donor education. Experiences in the United States and Europe have shown that the provision of independent, peer-driven (or donor-to-donor) philanthropy education may be a crucial component to encourage people to give. The evidence for this is mainly anecdotal, but publicly available donor portraits also often note the importance of peers as an inspiration for giving.

It should be mentioned that Canada also has an active and dense children and youth philanthropy landscape. Many community foundations have youth giving committees that try to actively get young people taking part in community giving. The Youth and Philanthropy Initiative (YPI), founded by the Toskan Casale Foundation, is an education program to engage secondary students in philanthropy. A variety of small programs also focus on giving in primary schools. It will be interesting to see whether this unique landscape of donor education will have a lasting impact on the giving culture in Canada.

I separate specialist advisors and impact-driven advisors from the classical service providers in the field. The former still comprise a small ecosystem in Canada. It consists, as in other countries, of service providers that actually were founded by social entrepreneurs, donors or foundations; providers that blend the worlds of philanthropy and social finance; evaluation and impact measurement providers; and many experts of methods, causes, and philanthropy overall.

Some of the big change agents of this ecosystem are new digital providers of donor services. In this field, the market is highly competitive. There is no quantitative or qualitative comparative data available but there is a sense that this market is developing very quickly in Canada. Through a European lens, you get a sense that Europe is just waking-up and will have a lot of catching up to do on this front.

The other important players in the field are the associations that represent the sector, such as Philanthropic Foundations Canada, CFC, and Imagine Canada. I also include professional associations for the professional advisors in this category. These associations represent and service their constituencies in the various arenas. They, together with a cluster around the promotion of giving, are trying to raise awareness for giving and philanthropy overall. If you consider the strength of philanthropy associations, for instance in Germany, France, or Belgium, you could conclude that these Canadian organizations could play an even larger role in enhancing giving and increasing its societal impact.

Canada has a dense support infrastructure for philanthropy ranging from traditional to digital. Even though I work in this field, it took me some time to understand how many commercial services have developed around philanthropy. My guess is that income is the first driver for more than 60% of the philanthropy support infrastructure. The other drivers seem to be impact and innovation (achieving positive societal change), interest (representing the constituencies in the sector), and injunction (the regulation and legal framework of the sector). These four components are also more an observation than a fact. But one that the sector needs to consider. The fact that philanthropy has turned into an income generating business is a universal phenomenon everywhere where philanthropy is thriving. I, again, should note that as a philanthropy advisor in Europe I am a part of this system. Still, societies need to question whether the commercialization of philanthropy is only a good development.

How can Canada enhance giving? Even more important, how can Canada further increase the positive societal impact of its philanthropy? The analysis of the philanthropy support infrastructure in Canada suggests that the answers to these questions do not only depend on the behaviour of the individual donor or the tax system, but also on the framework in which the donor gives. There seems to be a need for (social) innovation around governing capital for societal impact. For instance, there could be an impact-first certification for every profession that provides philanthropy advice. There could also be a more active use of data analysis and the new thinking around impact measurement to change philanthropy's modus operandi. Lastly, there needs to be more research to better understand the influence of this philanthropy support infrastructure in Canada, but also everywhere else in the world.

Alexander Graham Bell once said: "Leave the beaten track behind occasionally and dive into the woods. Every time you do you will be certain to find something you have never seen before." My fellowship allowed me to leave these beaten tracks behind for a while. The discovery was a more nuanced view of the world of philanthropy in Canada. This view is one that is critical but, I hope, is also productively solutions-oriented. I look forward to learning more about the relationship between the philanthropy support infrastructure and the enhancement of giving.

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[2] It is worth visiting the trendradar.org webpage of the betterplacelab to discover similar innovations.

[3] It should be noted that the relationship between the social innovation community and philanthropy in Canada has also been the subject of critical reflection: Pue, Kristen & Dan Breznitz (2017); *The Social Innovation Strategies of Canadian Foundations*, Innovation Policy Lab White Paper, Munk School, University of Toronto.

[4] Religion, which in most statistics on giving in Canada is the lead cause, was not mentioned in these conversations. Religion must be another pillar of the 1% of organizations that receive the majority of funds.

Illustration by Paul Dotey