



# PHILANTHROPY AND THE GLOBAL ECONOMY v3.0

Perspectives on the Future of Giving

**Citi GPS: Global Perspectives & Solutions**

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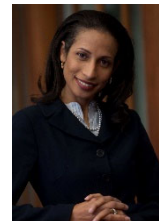


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# PHILANTHROPY AND THE GLOBAL ECONOMY v3.0

## Perspectives on the Future of Giving

Philanthropy makes an extraordinary but underappreciated contribution to the global economy each year. Despite economic headwinds, 2022 was no exception.

Aggregated at the global level, charitable sentiment is blossoming. Behaviors like donating and volunteering have boomed in the last three years, and evidence is starting to suggest that this is not a temporary response to the pandemic, but a shift towards a new “normal.” The story of the total stock of philanthropy in the global economy is both less positive and less uniform. 2022 brought a mixed global picture: The U.S. saw total charitable dollars decline after a pandemic-related boom, while giving rebounded in the UK, driven largely by donors’ response to the crisis in Ukraine. If there is any uniform feature of the total stock of philanthropy in recent years, it is volatility — total charitable receipts have bounced between growth and decline in recent years, albeit at different times in different countries.

Two key themes emerge from our review of the latest data on global giving and conversations with a series of experts and nonprofit leaders. After exploring data at the global level, we first zoom in on the U.S. to examine trends in the composition of the donor base. We argue that philanthropy is becoming more affluent and more institutional, with consequences for both society and individual nonprofits. Second, we explore the future of cross-border giving. Data suggests that there is growth in the number of donors outside traditionally “philanthropic” countries — like the U.S. and Western Europe — which intersects with an increasing appetite to give to locally-led organizations, both at home and abroad. As a result, the geography of philanthropy is shifting before us, disrupting the paradigm of a linear flow of funds from Global North to Global South as it does so.

As so often happens in philanthropy, these shifts are gradual and not seismic. There is scope for nonprofits and philanthropists alike to prepare for these trends — and perhaps even to alter their evolution. We conclude each chapter of this report with recommendations on how to respond to these trends. For nonprofits, these include building trust with and communicating impact to those who offer smaller donations, as well as financially preparing for a more geographically complex, interlinked web of transactions as donations and spending both shift closer to the communities that nonprofits serve. For philanthropists, recommendations include leveraging networks to connect nonprofits and corporate entities in mutually beneficial partnerships and providing funding with fewer restrictions to allow nonprofits to experiment with technology and innovate in the years ahead.

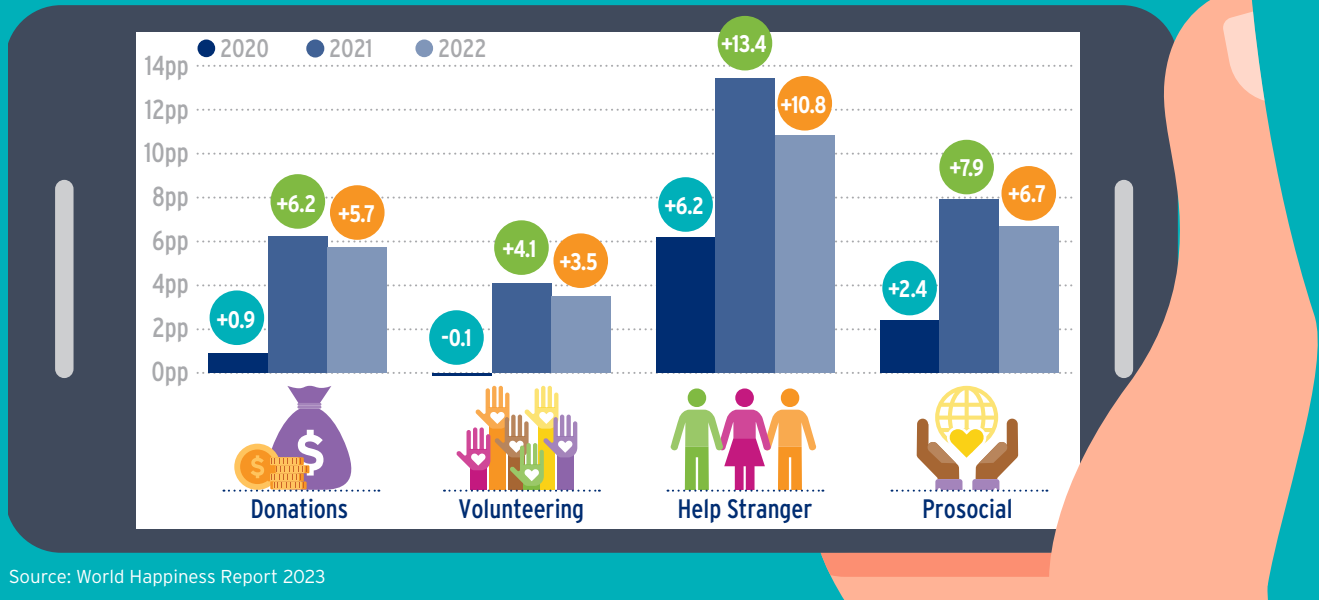
This Citi GPS report is the third in our *Philanthropy and the Global Economy* series. It builds upon two previous reports: [Opportunities in a World of Transition](#) and [Reinventing Giving in Challenging Times](#). This year’s report is again produced in partnership with Citi Private Bank’s Philanthropic Advisory team and our core group of expert partners. We are also delighted to partner this year with Citi Commercial Bank, colleagues from the Citi Foundation, and an expanded group of experts. We are grateful to the panel of nonprofit leaders who participated in interviews as we conducted the research for this report. We hope that this Citi GPS series continues to highlight the contribution that philanthropy makes to our world and that it can play some small part in driving fruitful partnerships between public, private, and philanthropic sectors.

# Philanthropy in Transition

## CHARITABLE SENTIMENT REMAINS HIGH

Despite a slight decline in 2022 compared with 2021, pro-social behaviors (i.e., donating, volunteering, and helping a stranger) globally remained significantly above their pre-pandemic averages in 2017-19.

Change in Share of Global Population Performing Each Act vs. 2017-19



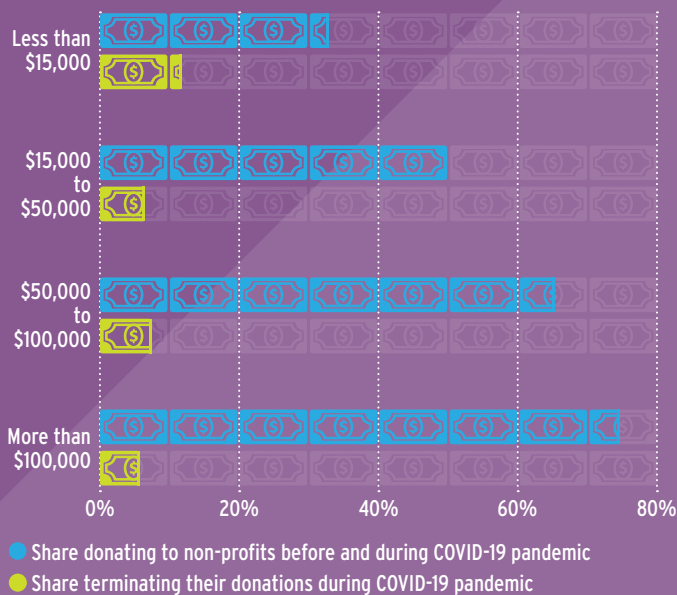
Source: World Happiness Report 2023

## U.S.: AN INCREASINGLY AFFLUENT AND INSTITUTIONAL DONOR BASE

The U.S. donor base increasingly skews affluent, with higher-income groups more likely to give and less likely to stop donating before and during the pandemic.

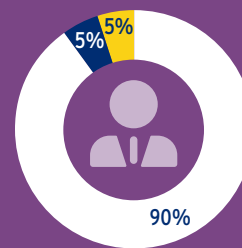
The U.S. donor base is also becoming more institutional as charitable giving shifts away from individuals toward corporations and, more substantially, foundations.

Formal Donation Behavior by Income Group

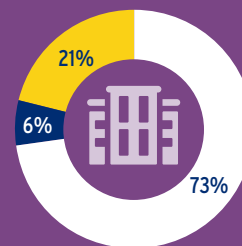


Source: Cnaan et al. 2022

Share of Charitable Giving by Source



**1982**  
The majority of charitable donations come from individuals.



**2022**  
The portion of donations from foundations has significantly increased.

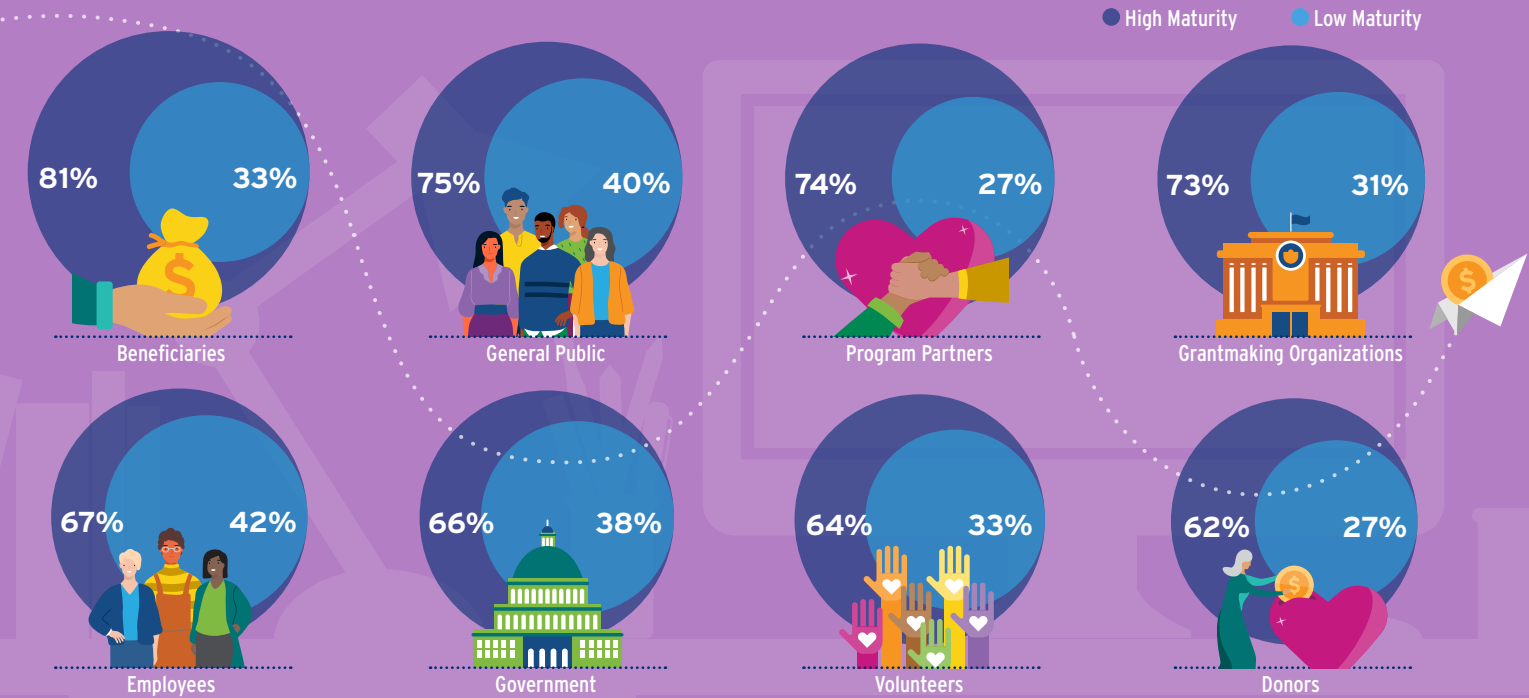
● Individuals ● Corporations ● Foundations

Note: Data for individuals includes bequests. Source: Giving USA 2023

## STRONGER CONNECTIONS THROUGH TECHNOLOGY

Technology could play a role in replenishing the donor base as it becomes narrower and more institutionalized. Digitally mature non-profits reported stronger relationships with their stakeholders in a recent survey.

### Greater Digital Maturity Is Associated With Stronger Stakeholder Relationships



Source: Salesforce 2023

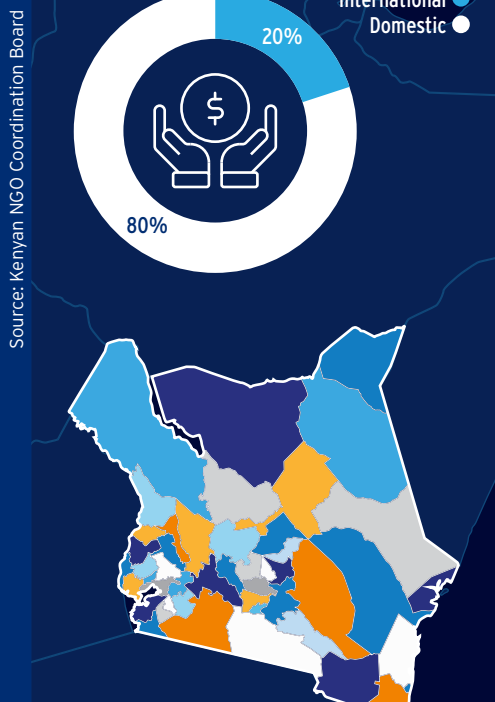
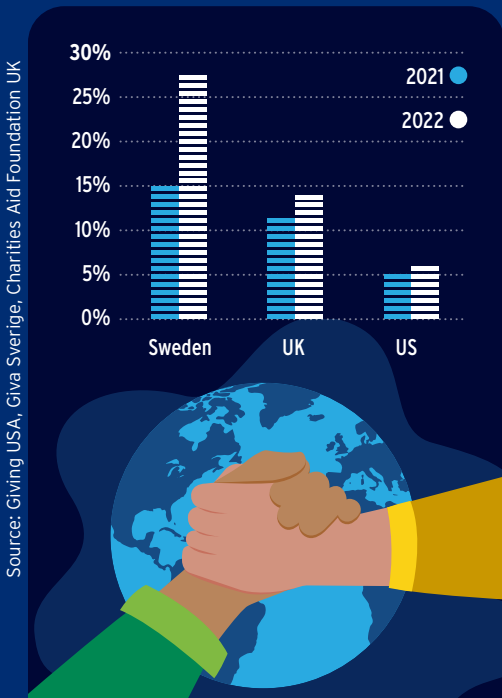
## TRENDS IN INTERNATIONAL GIVING

An increase in the share of giving to international causes, particularly to Ukraine, pushed up overall headline figures for charitable giving in Sweden and the UK in 2022.

More importantly, non-profit leaders we interviewed report a shift is underway to fund more locally-led organizations.

### Kenya: Split of Newly Registered NGOs, 2021/22

#### Giving to International Causes as a Share of Total Giving



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## Introduction

For as long as there has been human need, there has been philanthropy. As Eileen Heisman, CEO of National Philanthropic Trust, told us: *“It is part of the human condition to give — and that will not change.”* Matching its long tradition, shifts in philanthropy are more often incremental than they are seismic. The composition of causes that donors give to is a good example. It is well-known that giving to religious causes in the U.S. is in decline, but the trend has taken decades to play out: In 1983-87, religious causes accounted for 58% of total giving, and only by 2018-22 had this shifted to 29%.<sup>1</sup>

Yet, as another CEO told us: *“There is a real sense that philanthropy has been reflecting on its values and practices over the last few years.”* In the conversations with nonprofit leaders, which — together with our annual review of global giving data — form the basis of this report, we heard many times that the sector is emerging from a period of reflection, driven by events like the global pandemic and the economic crises that have followed it in many parts of the world, both of which highlighted systemic inequalities. As Sarah Haacke Byrd, CEO of Women Moving Millions, a global community of women philanthropists, put it, *“We are shifting towards implementation: After a period of reflection, philanthropists are looking at how to live by the values they have redefined.”* **So, what happened to giving in 2022 and how can we expect things to evolve in the coming years and decades?**

We find that prosocial attitudes continued to thrive globally, but giving trends were different in different places in 2022. Some countries saw an uptick in charitable giving following the invasion of Ukraine while others saw headline figures fall below pandemic-related highs. Focusing our discussion largely on the U.S., we also highlight two consequential trends impacting the nonprofit sector:

- Giving is becoming **more institutional** as more charitable dollars come from foundations and corporations — pushing the for-profit and nonprofit sectors closer together — while the individual donor base declines and skews more affluent.
- While 2022’s increase in giving to international causes might be temporary, **international giving** is becoming more **“local”** to beneficiaries.

In what follows, we examine the evolution of these trends, what is driving them, and what they mean for philanthropy and the nonprofit industry. These trends emerge from a review of the most recent global giving data and a series of 15 semi-structured interviews with nonprofit leaders, primarily based in the U.S. The leaders span across fundraising, finance, and C-suite roles, as well as across causes ranging from international development and domestic poverty alleviation to education and the arts.

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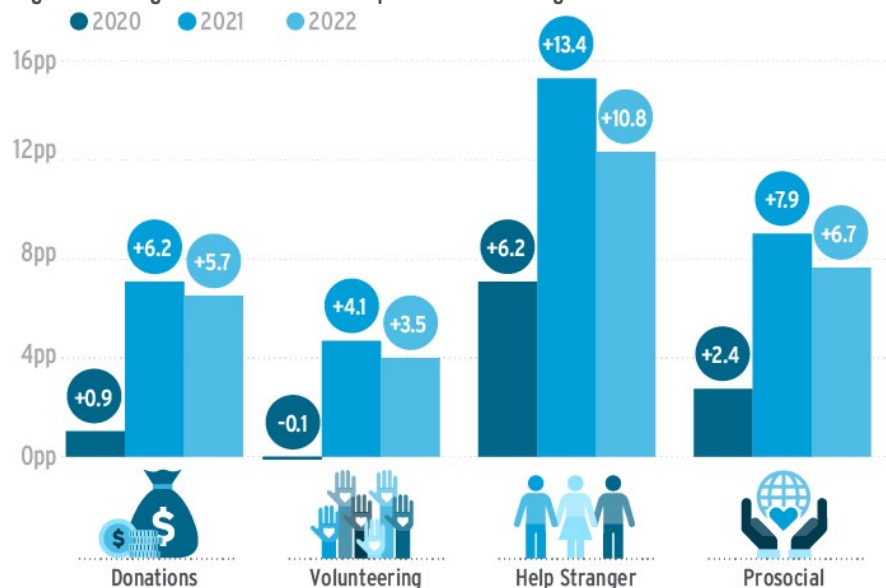
<sup>1</sup> Giving USA 2023

## Prosocial Behaviors Remain Elevated

The last few years have been marked by a global increase in generosity. We noted in our 2022 Citi GPS report [Philanthropy and the Global Economy v2.0](#) that the prevalence of prosocial attitudes like donating money, volunteering time, and helping others surged by almost 25% in 2021 — the big question remained whether these behaviors were a temporary reaction to the global health crisis or a structural shift that might be maintained as life started to go back to normal. Data now shows that although there was a slight decline in 2022 versus 2021, all three behaviors — giving, volunteering, and helping a stranger — remained significantly above their pre-pandemic averages in 2017-19 (see Figure 1).

Therefore, at the global level, philanthropy has become more democratic in the last three years: More people are giving their time and money in service of society. However, the biggest growth among the three metrics is in helping a stranger, which sits notably outside organized, formal nonprofits. Part of this might be due to the increasing ease with which strangers can give to one another, mediated by new technologies like crowdfunding platforms. Another contributing factor here is that trust in non-governmental organizations (NGOs) as institutions is lacking and, in 2022, it modestly declined.<sup>2</sup> Low trust might be pushing would-be donors away from formal nonprofits.

Figure 1. Change in Share of Global Population Performing Each Act vs. 2017-19



Source: World Happiness Report 2023

However, the global figures do not tell the whole story. Before the pandemic a significantly higher share of the population in Western Europe, together with the U.S., Canada, Australia, and New Zealand, performed prosocial actions — at 40%, compared to 30% in the rest of the world. Much of the growth in these actions has been outside these traditionally philanthropic countries, and the gap between groups of countries was “substantially closed” by the gains made in 2021 and 2022.<sup>3</sup>

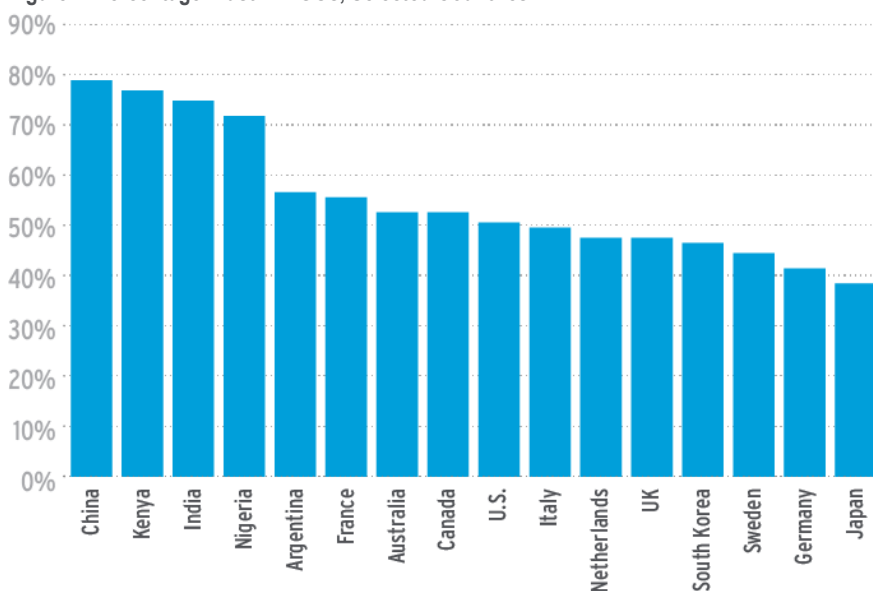
<sup>2</sup> Edelman, 2023 *Edelman Trust Barometer: Global Report*, January 2023.

<sup>3</sup> John F. Helliwell et al., *World Happiness Report 2023*, Sustainable Development Solutions Network, 2023.



Indeed, growth in prosocial attitudes outside traditionally philanthropic countries might be propping up the global numbers. Other data suggests that, in the U.S. and some European countries, the share of the population giving to charity and volunteering has been declining. A report on the U.S. found that the number of donors declined by around 4.5% during the pandemic, though the average amount given surged by more than 200% at the same time.<sup>4</sup> Likewise, the share of U.S. nonprofits reporting problems recruiting volunteers rose from 29% in 2003 to 47% in 2022.<sup>5</sup> In the UK, the share of the population that participates in civic activity and the share that donates money have not yet returned to pre-pandemic norms.<sup>6</sup> In Germany, the number of donors was down by 6.5% in 2022.<sup>7</sup> So philanthropy has become more democratic in the sense that countries that are not often considered philanthropic have become more so — but not in the sense that participation has increased universally.

**Figure 2. Percentage Trust in NGOs, Selected Countries**



Note: A score of 60+ indicates trust, 50-50 indicates neutrality and 1-49 indicates distrust.  
 Source: Edelman Trust Barometer 2023, Citi GPS

Growth in giving outside Europe and North America echoes where trust in NGOs is now highest. The highest level of trust is found in China, Kenya, India, and Nigeria, which have not historically given a high share of their GDP to organized nonprofits (though some of them have had high rates of direct community giving through religious practices like the Islamic practice of Zakat).<sup>8</sup>

<sup>4</sup> Ram Cnaan et al., *Generosity Trends and Impacts: Before and During the COVID-19 Pandemic in the USA*, Penn Social Policy & Practice, The University of Pennsylvania, August 2022.

<sup>5</sup> Dr. Nathan Dietz and Dr. Robert T. Grimm Jr., *The State of Volunteer Engagement: Insights From Nonprofit Leaders and Funders*, Do Good Institute, School of Public Policy, University of Maryland, February 2023.

<sup>6</sup> Charities Aid Foundation, *UK Giving 2023*, 2023.

<sup>7</sup> Deutscher Spendenrat, *Bilanz des Helfens 2022*, February 2023.

<sup>8</sup> Edelman, *2023 Edelman Trust Barometer: Global Report*, January 2023.

Kenya is a notable example discussed in more detail further in the report. Kenyan NGOs have seen year-on-year growth in the amount donated domestically, though this has not kept pace with international giving.<sup>9</sup> By contrast, some of the countries that make the biggest contributions to global philanthropy are neutral about NGOs (e.g., the U.S. and Canada), and in some cases distrustful of them (e.g., the UK and Germany). Increasing the share of people giving to nonprofits in Europe and North America may be conditional on increasing the trust the population has in them.

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<sup>9</sup> *Kenyan NGO Coordination Board Annual Report 2023*

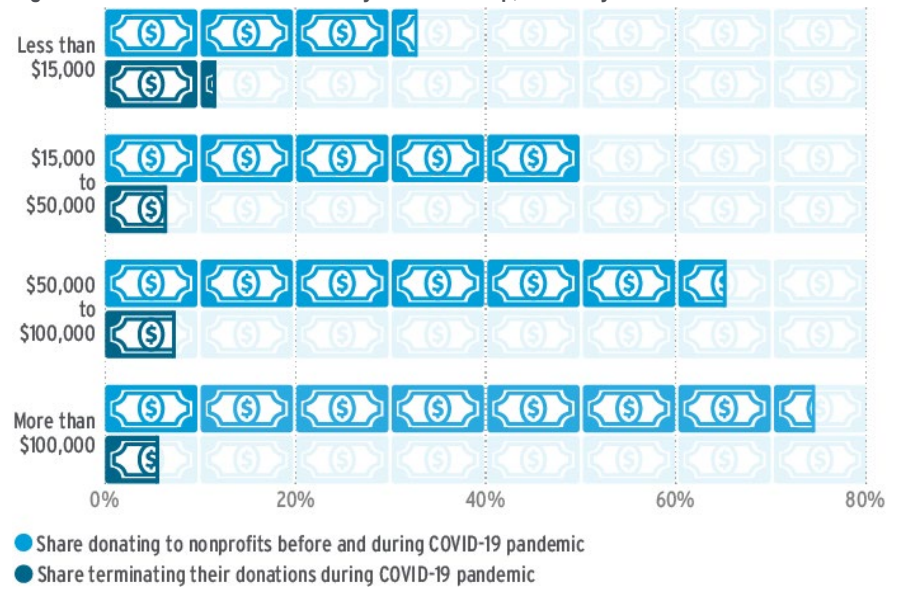
## A More Affluent and Institutional Donor Base

Zooming in on the declining donor base in the U.S., there are two elements of the decline in individual giving, and each makes a difference in understanding the future of the nonprofit sector: (1) a shift towards more affluent individual donors, and (2) greater institutionalization of the donor base.

### Donor Base Increasingly Skews Affluent

We noted above that fewer people are giving to nonprofits in the U.S. while average donation size is increasing, indicating a shift towards those who can give at higher levels. We also noted in our 2021 Citi GPS report [Philanthropy and the Global Economy](#) that affluent groups were most likely to give. Data from a recent study corroborates this: The higher an individual's income, the more likely they were to give both before and during the pandemic.<sup>10</sup> As shown in Figure 3, the same study also shows that those in the higher-income groups were less likely to stop donating during the pandemic.

Figure 3. Formal Donation Behavior by Income Group, U.S. Only



Source: Cnaan et al. 2022

<sup>10</sup> Ram Cnaan et al., *Generosity Trends and Impacts: Before and During the COVID-19 Pandemic in the USA*, Penn Social Policy & Practice, The University of Pennsylvania, August 2022. It is notable that lower income groups were the most likely to start giving during the pandemic.

Encapsulating this, Benefactor Group reports that 3% of donors now make up 74% of gifts.<sup>11</sup> Some of the fundraising professionals who we spoke with had seen this concentration of donors firsthand. One noted that “*U.S. philanthropy is shifting to those who have the means to give at the highest value.*” Some described the group giving less than \$1,000 or even \$10,000 each year as shrinking. The base of supporters who give to nonprofits has thus not only become smaller, but it increasingly skews towards more affluent groups who can give larger gifts.

In response to this trend, Josh Birkholz, CEO of BWF and Chair of the Board of the Giving USA Foundation, notes that everyone deserves a chance to “*experience [the] joy of giving,*” and he sees efforts from the nonprofit industry to democratize giving again.

## The Future of Giving

**By: Josh Birkholz, CEO, BWF and Chair, Board of the Giving USA Foundation**

Generosity is resilient, but many forces are straining its resilience. From volatile markets to shrinking income and inflation to broadening definitions of giving, we are in a changing landscape of philanthropy. Despite these headwinds, giving will stay on course, grow, and remain an essential value of humanity. Charities are committing to donor experience management to shine a light on each contributor’s significance, using artificial intelligence and other technology to address staffing shortages, and demonstrating the impact and importance of giving with new, diverse, and existing audiences.

Nonprofits are essential for solving the world’s problems. There is power in communities rallying around these issues. For many of us, we were taught the intrinsic value of philanthropy with expressions such as “*It is better to give than to receive.*” Everyone deserves to experience this joy of giving. With this collective spirit of generosity, the declines in everyday giving can turn around. Although the charitable landscape has focused on impact messages that resonate with higher net-worth donors, we are seeing a resurgence of value and inclusion messages that resonate more broadly. Humanity will continue to be generous. But it requires intentionality on the part of charities to encourage this essential and collective participation.

Some of this shift towards more affluent groups can be attributed to the economic climate: A study of donation behavior during the pandemic indicated that the biggest reason people did not give was economic pressures, followed by the fact that they were not asked to give as a very distant second.<sup>12</sup> However, this shift in the donor base far predates the most recent economic crisis, and other factors came to light in our panel of interviews:

### ■ Communicating the impact of gifts to smaller donors is challenging.

Fundraisers described difficulties engaging those who give less and stewarding smaller gifts, which could be down to a lack of funding available for this sort of activity. One example stands out: A fundraiser talked about the shift from communicating a nonprofit’s impact through newsletters to communicating impact in bespoke engagements. Clearly, it is not possible to offer personal engagements to the same number of donors as a newsletter. Part of this might be for nonprofits to address, as Josh Birkholz describes above efforts to democratize giving, but there is also a wider societal piece. “*We need education,*” said one leader, “*to show that you don’t have to be a multimillionaire to give and have an impact.*”

<sup>11</sup> Benefactor Group, “[2022 A Mixed Bag: Giving USA 2023 Analysis](#),” accessed October 2, 2023.

<sup>12</sup> Ram Cnaan et al., *Generosity Trends and Impacts: Before and During the COVID-19 Pandemic in the USA*, Penn Social Policy & Practice, The University of Pennsylvania, August 2022.

- **More affluent groups have higher trust in nonprofits, which might make them more likely to participate in organized giving.** While the top income quartile in the U.S. has a high degree of trust in institutions, including NGOs, those in the bottom quartile are much less likely to trust them. According to the 2023 Edelman Trust Barometer, the trust gap between high- and low-income groups in the U.S. was over 20 index points.<sup>13</sup> Just as the global distribution of trust might explain the rebalancing of philanthropy across the world, the trust gap between high-income and lower-income Americans might explain why organized philanthropy increasingly falls to the more affluent. Yet, some of the fundraisers in our panel of interviewees were optimistic about money still flowing — even if not to formal nonprofits. One described how *“the money is still going somewhere: people are still finding ways to give — but that might be directly in the community or in giving circles.”* Those who give less might simply be falling out of the giving statistics by giving directly to their community rather than ceasing to give altogether.

The shift towards a more affluent donor base will not happen in a vacuum. The individuals that make up the donor base are shifting in other new and important ways, becoming younger and more female in aggregate, as Karen Kardos, Global Head of Philanthropic Advisory at Citi Private Bank, describes.

### The Forces Reshaping Giving

**By: Karen Kardos, Global Head of Philanthropic Advisory, Citi Private Bank**

A convergence of powerful forces is reshaping philanthropic giving. Demographic shifts, technological advances and wealth creation patterns are changing the ways people give, the causes they benefit and how they assess need and impact. These trends are likely to persist in the years ahead.

An estimated \$100 trillion wealth transfer from the Silent and Baby Boomer generations is underway. Their successors — who include many more women — often have distinctive values and philanthropic priorities. Social inequalities, climate change, and other areas of sustainability are set to be even greater areas focus for the new generations of donors.

The new generation of donors will likely call for further changes in how the estimated \$2.4 trillion of assets held by the philanthropy sector. This may see a move toward a mission-related investment strategy, where assets are invested in ways that seek to enhance philanthropic causes.

The digital revolution — particularly artificial intelligence and big data — will inform and influence giving patterns. The needs of recipients will be better understood, while the measurement of philanthropic impact will become more accurate. Giving strategies will adjust more quickly in response to a greater quantity and quality of information about needs and results.

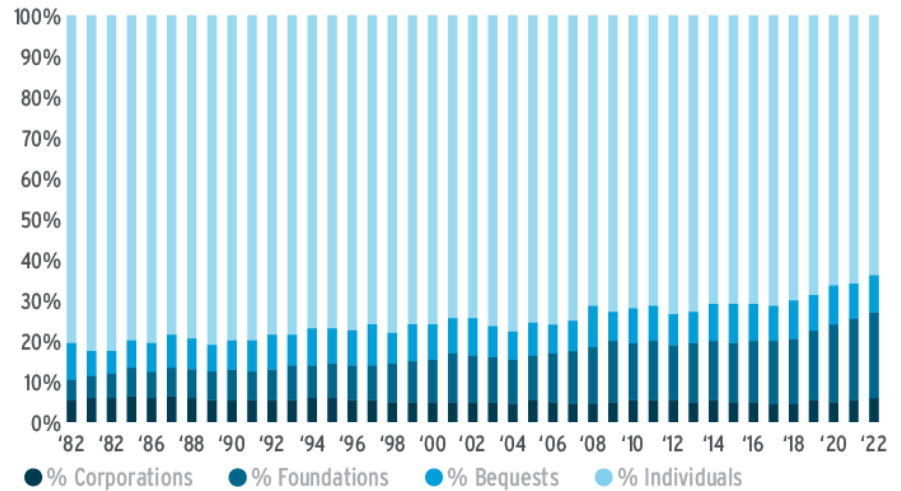
The future of giving is thus likely to be more socially aware, more targeted, more measured, and perhaps even more effective.

<sup>13</sup> Edelman, *2023 Edelman Trust Barometer: Global Report*, January 2023.

## Donor Base Becoming More Institutional

Charitable giving is shifting away from individuals towards corporations and, more substantially, foundations. Figure 4 shows that this is a long-run trend: In 1982, individuals (including bequests, i.e., the light blue and gray bars) made up 90% of total U.S. charitable giving. In 2022, the figure was 73%. 2022 was also the fourth consecutive year that individuals (excluding bequests) accounted for less than 70% of giving.<sup>14</sup> Meanwhile, foundation giving grew significantly over the same period.

Figure 4. Giving by Source (Percentage), U.S. Only



Source: Giving USA 2023

While corporate giving has increased more modestly over the long run, the last two years have seen a 22.2% increase, according to Giving USA analysis. As one corporate partnership specialist put it in our series of interviews, *“The nonprofit sector is significantly growing as organizations commit to giving back and addressing inequalities.”* To some extent this is driven by increasing interest in mission and purpose among for-profit companies and a need to conduct business in a socially responsible way. As John Oddy, Vice President for Donor Relations at the New York Community Trust, put it, *“There is an increasing obligation for corporations to answer the question of how they are giving back to society.”*

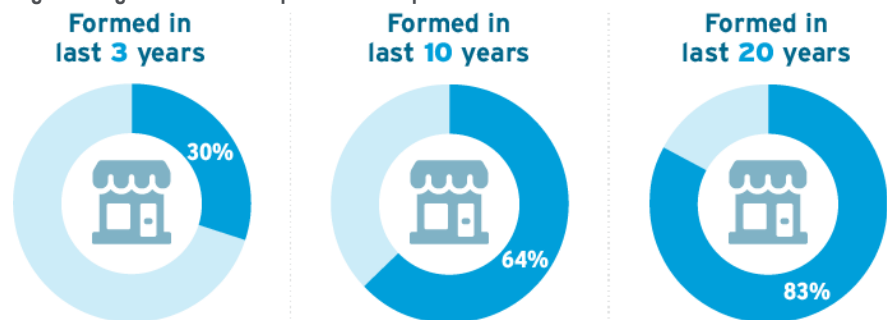
## Nonprofits and For-Profits Moving Closer Together

There is a wider sense in which the nonprofit and for-profit industries are moving closer together — beyond the rise of corporate philanthropy. True partnerships between for-profit and nonprofit organizations present an opportunity for the exchange of skills and expertise alongside the flow of funds from corporates to nonprofits. For example, nonprofits can play a key role in supporting the for-profit industry to understand and measure social impact as part of the ESG (environmental, social, and governance) movement. As Eileen Heisman, CEO of National Philanthropic Trust, put it, *“The nonprofit sector is a model for how communities can thrive and elevate their quality of life — which the for-profit sector can learn from.”* At the same time, we have written in previous reports in this series about the opportunity for impactful corporate volunteering initiatives to share expertise in fields like technology.

<sup>14</sup> Giving USA 2023

The final piece in this convergence is in nonprofits exploring new revenue streams and turning to the for-profit sector's business models as they do so. One example is social enterprises, which are revenue-generating businesses that achieve social or environmental aims and re-invest their profits back into operations. A 2022 report estimated that there are around 11 million social enterprises globally.<sup>15</sup> Although some research on Europe suggests that this figure may be growing, since there is no official register of social enterprises, it is an indirect measure based on the age of these organizations: A majority were formed in the last 10 years, as shown in Figure 5. This is not only a trend in high-income countries; the annual report on NGOs in Kenya observes a similar shift towards self-generated or earned income as opposed to relying on foreign aid or domestic donations.<sup>16</sup>

Figure 5. Age of Social Enterprises in Europe



Note: Based on a survey conducted in late 2021 through early 2022.

Source: European Social Enterprise Monitor

While this shift presents an opportunity for nonprofits to diversify their income streams and increase the sustainability of their income, our interviews revealed other motivations for nonprofits to explore new business models like social enterprise. One nonprofit described the shift to social enterprise as a way to co-create solutions to local problems with beneficiary communities, for example creating new businesses with their target community rather than only delivering employment-related training. As one interviewee put it, *“Shifting our business model towards social enterprise allows us to work with the beneficiaries to support their independence and integration into the real economy.”* Another interviewee added that diversifying business models in the nonprofit industry could also create opportunities to crowd in private capital.

However, some interviewees issued a cautionary warning on allowing the nonprofit and for-profit sectors to move too close together. One noted, *“We can’t achieve all our social goals and get rich at the same time — so there will always be a need for philanthropy.”* Another noted that nonprofits need to be cautious and thoughtful to ensure that their missions are preserved as partnerships grow, a sentiment echoed by Laura MacDonald, Principal and Founder of Benefactor Group and Immediate Past Chair of the Giving USA Foundation, in her comments for this report.

<sup>15</sup> British Council and Social Enterprise UK, *More in Common: The Global State of Social Enterprise*, June 2022.

<sup>16</sup> Kenyan NGO Coordination Board, *Annual NGO Sector Report 2021/22*, 2023.

## What the Nonprofit Sector Will Look Like in Three to Five Years

By Laura McDonald, Principal & Founder, Benefactor Group and Immediate Past Chair, Giving USA Foundation

Nonprofit organizations will be influenced by forces that shape broader society. This includes both challenges, such as wealth disparity and polarization, and opportunities, such as the promise of technology and AI to increase efficiency and — especially — impact.

In three to five years, leadership of nonprofit organizations will be almost entirely in the hands of post-Baby Boom generations who will bring their own values and approaches. Whereas older generations embraced frugality, next-gen leaders will not. Instead, they will harness innovation and revenue diversification in pursuit of impact. One thing won't change: passion for the mission.




Traditional philanthropy will continue to diverge to the extremes, with a few very big gifts from wealthy donors, many modest gifts from a broad swath of “everyday” households, and a void in between: a perilous model. To be sustainable, future nonprofits will develop new revenue streams, such as crowdfunding and social enterprises. Collaboration with commercial entities that crave the authenticity and appeal of a “cause” will offer both financial reward and reputational risk. Nimble strategic reserves will supersede traditional endowment, a result of both younger donors' preferences and the need for funding to be more flexible. Next-gen leaders will prove adept at maintaining balance in this complex landscape.

The sum of these factors? Resilience.

## A Changing Donor Base Alters the Shape of Philanthropy

So, the donor base is becoming more institutional and more affluent — but what do those trends really mean for philanthropy and nonprofits? As illustrated in Figure 6, there will be consequences for individual nonprofits and incremental shifts at the level of the philanthropic ecosystem. These consequences can be broken into three groups: (1) shifts in the causes supported by philanthropy, (2) a trend towards larger nonprofits, and (3) further growth in impact measurement. All of this is setting aside the financial risk of relying on a single donor — one fundraiser noted that “as giving comes to be at the discretion of the most affluent, it could easily be taken away.”

Figure 6. Consequences of a Declining Donor Base for Philanthropy and Nonprofits

	Impact on Philanthropy and Society	Impact and Risks for Individual Nonprofits
 <b>Causes</b>	Broad support for nonprofits is important for <b>validating the mission and approach</b> of those organizations.	Over reliance on a smaller donor base puts <b>funding at risk</b> and <b>increases the influence</b> of individual donors.
 <b>Size</b>	Smaller nonprofits are an important way of accessing <b>marginalized communities</b> who might be less well supported by larger organizations.	A smaller donor base cultivates a “winner-takes-all” approach putting <b>smaller nonprofits at risk</b> .
 <b>Impact</b>	More rigorous impact assessments might <b>improve philanthropic interventions</b> .	Professionalizing giving <b>reduces availability of unrestricted funds</b> and increases <b>impact measurement</b> .

Source: Citi GPS

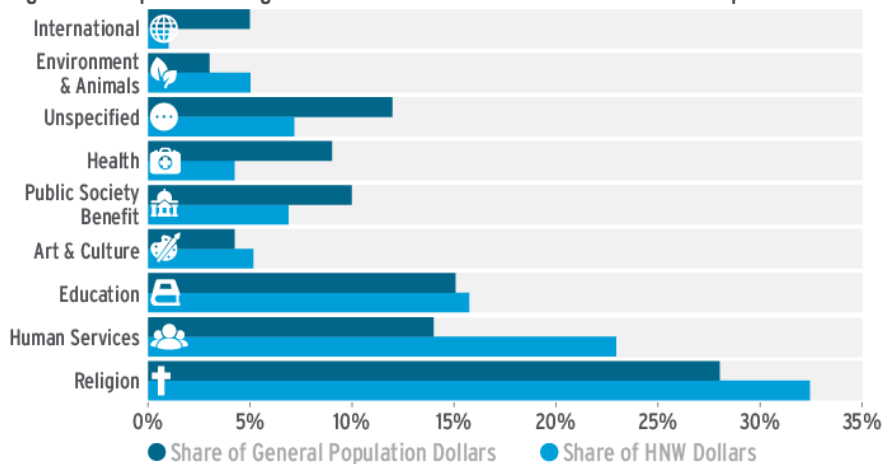


### New Donor Base Allocates Funding to Different Causes

We start with the first group of consequences: changes to the causes supported by philanthropy. It has long been a criticism of philanthropy that donors have excessive influence over which social issues are prioritized.<sup>17</sup> A shrinking donor base that increasingly skews more affluent risks bolstering this critique. A wide donor base indicates that a broad group of the population supports a nonprofit’s mission and considers it important. As one fundraiser put it, “*Wide support for an organization is important in validating the work a nonprofit does.*” A narrowing, more affluent donor base increases the potential for the causes that philanthropy supports to diverge from the most acute social challenges.

Data suggests that High-Net-Worth (HNW) donors give to very similar causes to the wider population. We acknowledged this in the first report in this series, and more recent data confirms that this similarity persists. There are still some differences between the two groups — comparing 2020 data on HNW giving with Giving USA data for the same year shows that HNW individuals were less likely to give to international causes and more likely to support religious organizations. They were less likely to give to health causes and more likely to support human services organizations. But, as shown in Figure 7, the broad spread of HNW donations in 2020 was very similar to that of the general population.<sup>18</sup> Increasing reliance on HNW giving therefore might not seem likely to change the way that charitable dollars are allocated across the economy.

Figure 7. Comparison of High-Net-Worth Charitable Donations vs. General Population



Source: Giving USA 2021 and Osili et al. (2021)

But we must exercise due caution: These sectors are broad. “Education” includes giving to elite universities but also funding reading lessons for children from lower socioeconomic groups, for example. So even if there is no change in the causes that annual reports see dollars flowing towards, there might be more fine-grained shifts in the flow of charitable dollars.

<sup>17</sup> For example, see Paul Valley, *Philanthropy: From Aristotle to Zuckerberg* (Bloomsbury Continuum, 2020).

<sup>18</sup> Giving USA data includes giving by all individuals — High-Net-Worth or not. This comparison in the giving trends of the two groups is therefore imperfect because data for the reference group of the “general population” includes High-Net-Worth giving.

It is corporate giving that differs more significantly from individual giving. 2023 data from the UK suggests that the healthcare, financials, and basic materials sectors account for the highest share of charitable giving.<sup>19</sup> The same report also finds that healthcare companies give the largest amount as a share of pre-tax profits at almost 3%, compared with 0.19% for the technology sector. Corporates often give to causes that are related to their industry, not least because much of their giving comes in kind — for example, healthcare companies provide vaccines for free or at reduced cost. The imbalance of corporate philanthropy across the economy, therefore, stands to impact the distribution of charitable receipts across the nonprofit sector. As giving becomes more corporate, we perhaps ought to expect the causes and character of giving to shift.

### Fewer Donors Shift the Industry Towards Larger Organizations

It also seems likely that there will be a change in the distribution of funding across nonprofits of different sizes. There is a “long tail” of small nonprofits in many countries: In the U.S., there are around 1.5 million nonprofits, and almost a million of them have an annual revenue of less than \$50,000, as shown in Figure 8.<sup>20</sup> If fewer donors (whether affluent individuals or institutions) make larger gifts, then mathematically there are fewer donor checks to pursue. Compounding this, one fundraiser described how affluent donors are narrowing their focus, giving to the three or four organizations that they have the most affinity with. Another fundraiser described the rise of prizes as further augmenting the shift towards “*winner takes all*.” Prizes involve a competitive process, at the end of which one nonprofit is awarded a cash sum.<sup>21</sup>

All of this reduces the number of donor checks available, and the industry might come to have fewer, larger organizations as a result. Technology might augment this trend. Nathan Chappell, SVP at DonorSearch AI and Co-Founder of Fundraising.AI, describes in his comments below the potential for technological adoption to lead to a “*more streamlined, albeit less diverse, philanthropic landscape*.” Matt Whittaker, CEO of Pro Bono Economics, highlights the reason for this: larger nonprofits have more financial headroom to explore emerging technologies that might support them to grow even further. While we describe technology below as a potential solution to the shrinking donor base, technological adoption could also augment the structural shift towards larger nonprofits.

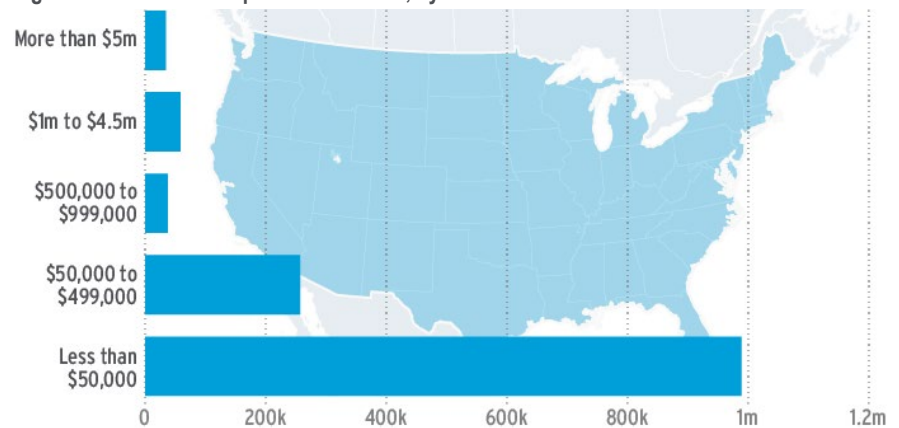
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<sup>19</sup> Charities Aid Foundation, *Corporate Giving by the FTSE 100*, 2023.

<sup>20</sup> Statista, “[Number of Nonprofit Organizations in the United States in 2021 by Revenue](#),” March 28, 2023.

<sup>21</sup> For discussion see Rockefeller Philanthropy Advisors, *Prize Philanthropy: Benefits, Challenges, and Winning Approaches*, 2021.

Figure 8. Number of Nonprofits in the U.S., by Revenue



Source: Statista (2021)

The shift towards fewer, larger organizations impacts the wider philanthropic ecosystem beyond the nonprofits that might grow or be absorbed by others. Smaller organizations sometimes serve communities that might be more challenging for a larger organization to reach, especially considering the data described above that lower-income groups have less trust in institutions like NGOs. Marginalized and vulnerable communities might be reluctant to engage with large NGOs, even if they have been historically supported by grassroots groups. A significant question in the coming decade will therefore be how larger nonprofits can ensure that all potential beneficiaries are included. One CEO we spoke with underlined this challenge: *“Individual organizations are insufficient for solving the challenges that philanthropy really needs to address.”* While part of the solution is about mobilizing public and private sector support for social issues, another element is maintaining a rich tapestry of organizations across the nonprofit sector to serve multiple communities. The trend towards larger nonprofits might, therefore, have a material impact on the nonprofit landscape and its shared mission.

### Institutionalizing Philanthropy Drives up Demand for Impact Measurement

The shift towards a more affluent and institutional donor base is also bringing a more rigorous approach to measuring impact. First, institutional and more affluent funders are already focused on understanding impact more than individual donors, so as these organizations continue to make up an increasing share of total giving, measuring impact will become more important. Second, many of our interviewees described a movement among affluent and institutional donors towards ever more sophistication when it comes to measuring impact.

On the first point, individual donors giving small amounts tend to offer unrestricted funding for the nonprofit to use as they see fit, and there are usually no conditions on reporting back to the donor how funds were spent. As John Oddy, Vice President for Donor Relations at the New York Community Trust, put it, *“individual giving already tends to be unrestricted.”* By contrast, a fundraiser from another organization described how *“megadonors [i.e., affluent donors and institutions making larger gifts] tend to do their research before they give and have more understanding of the impact their money could have.”* As a result, grantmakers and those offering larger gifts by their nature often expect nonprofits to track impact more precisely. As philanthropy shifts towards institutions and more affluent donors, measuring impact is becoming increasingly important.

Compounding this, the interest of institutional and affluent donors in understanding impact is growing: One interviewee described how “*funders have been pushing for better ways to measure outcomes.*” Another described a change in impact evaluations, saying, “*views of impact have become far more comprehensive*” as they have shifted away from immediately evaluating interventions towards understanding the longer-term impacts of philanthropic spending. Understanding impact better is no bad thing, but the increasing sophistication of donors’ approach to impact is a second factor that might push the nonprofit sector to dedicate more resources to impact measurement.

A greater emphasis on measuring impact is modestly in tension with the shift towards trust-based giving, where grantmaking organizations and large donors offer multi-year, unrestricted funding. Articulating this tension, one fundraiser described how “*there is an increased awareness on the part of private donors that funding decisions need to be proximal to spending decisions — but at the same time, there is a desire to understand how nonprofits are working and the impact that private donations have.*” Many of the fundraisers in our panel of interviewees hoped that philanthropy would resolve this tension in the direction of greater trust and flexibility from grantmakers — a principle echoed and augmented by Naomi Chapman, a Senior Consultant at the UK-based think tank and consultancy for the nonprofit industry, New Philanthropy Capital (NPC).

### Envisioning an Open Future

**By Naomi Chapman, Senior Consultant, New Philanthropy Capital**

Our view on the future of the nonprofit industry is an ambition, rather than a speculation.

We hope the future is one that is open: open to new ways of achieving our social missions; open to generous collaborations within and beyond the sector; and open with intelligence — sharing data, learning, and products that allow social impact to flourish beyond organizational boundaries.

There are examples of this future in the current landscape: funders working on collective insight that informs shared grantmaking strategies; nonprofits and for-profits making open-source products for service delivery; and forward-thinking charities considering how future challenges (such as the environmental crises) are going to change social need, and responding with shifts in their strategies, programs, and advocacy.

However, in an ever-challenging fundraising environment, the tendency can be to become more closed, more competitive, and more short-term in our thinking.

Funders, charities, and businesses alike need to consider the role they can play in fighting these tendencies and supporting a transition to a more open sector. This includes supporting both the phasing out of old practices and the embedding of new ones. The future of the nonprofit industry can, and should, be open.

Another perspective is possible here. Although there is seemingly some tension between a focus on measurement and impact on the one hand and the principles of giving in a more trusting way on the other, Brandee McHale, Head of Community Investing and Development at Citi and President of the Citi Foundation, notes that a trust-based approach to grant-making is a good way to support non-profits to “realize maximum impact” in their role as drivers of community change.

## A Trust-Based Future for Philanthropy

**By Brandee McHale, Head of Community Investing and Development at Citi and President of the Citi Foundation**

Non-profit organizations have long been trusted change agents poised to deliver innovative solutions to the most pressing social and economic issues facing communities. Yet as the challenges confronting society evolve and grow ever-more complex, the expectations and demands placed on non-profits will only continue to grow.

The ability for non-profit organizations to continue to serve communities efficiently, scale sustainably and maximize their impact in the future depends on investing in their own financial health today. All too often, these mission driven teams are given funding with restricted use, which limits their ability to focus on organizational capacity building or strategic, long-term planning. So, how can we harness the central role of philanthropy to improve future outcomes for non-profits and the communities they serve?

To help transform how the non-profit sector operates in the future, philanthropy cannot be ancillary to market-based solutions. Instead, both the private and social sectors must draw on the full range of tools and models at their disposal to achieve their ambitious goals. Enterprise capital offers one promising model for the kind of catalytic funding that can shape this productive future. It promotes more efficient value creation by providing non-profits with unrestricted funds that focus on building equity capital and organizational capacity. What's more, with enterprise capital, non-profit organizations are able to operate more strategically and maximize their resources in service of a long-term vision. In short, a more patient, trust-based approach to philanthropy is key to helping non-profit organizations strengthen their operations, realize maximum impact and continue their critical role as community change agents.

## Technology Might Contribute to Replenishing the Donor Base

Given these consequences, the nonprofit sector is also asking how it might replenish the base of the donor pyramid. While initiatives from nonprofits that support inclusive giving are key, Nathan Chappell and his co-authors argue in their recent book *The Generosity Crisis* that technology can also play a role. They suggest that emerging technologies like artificial intelligence (AI) could give nonprofits a better understanding of why people give to the causes they do as well as wider knowledge about donors' philanthropic interests. All of this can increase what Chappell et al. call "*radical connection*" with donors and potential donors. As Nathan puts it in his comments for this report, emerging technologies could deliver a "*more strategic, precision philanthropy.*" One fundraiser among our interviewees agreed that "*with technology we can stop acting as though we know all about a donor and actually learn more about them.*" Karen Kardos and Josh Birkholz highlight a similar role for technology in the future of giving in their comments earlier in this report.

## The Future of Charitable Giving in an Algorithmic World

**By Nathan Chappell, SVP, DonorSearch AI and Co-Founder, Fundraising.AI**

As societies hasten towards increased individualization amidst a globalized economy, long-term forecasting becomes increasingly complex. However, in the near term, there is little doubt that charitable giving is poised for transformative shifts.

Against a backdrop of systemic declines in charitable participation across many developed nations, the next three to five years will markedly shape the long-term vibrancy of the philanthropic landscape.

In the short-term, the trajectory of charitable giving — be it growth or accelerated decline — will largely hinge on the adoption of emergent technology. This pivotal shift is triggered by the advent of generative AI, an exponential technology heralding immense efficiencies for nonprofits and NGOs of all scales. Consequently, the future of giving will be contingent on the pace and responsibility with which the nonprofit sector navigates this technological milestone.

From a macro perspective, the impending acceleration of the digital divide delineates organizations that embrace technological advances from those that resist. The ramifications of this adoption will significantly impact the success, consolidation, or dissolution of underperforming organizations, potentially ushering in a more streamlined, albeit less diverse, philanthropic landscape.

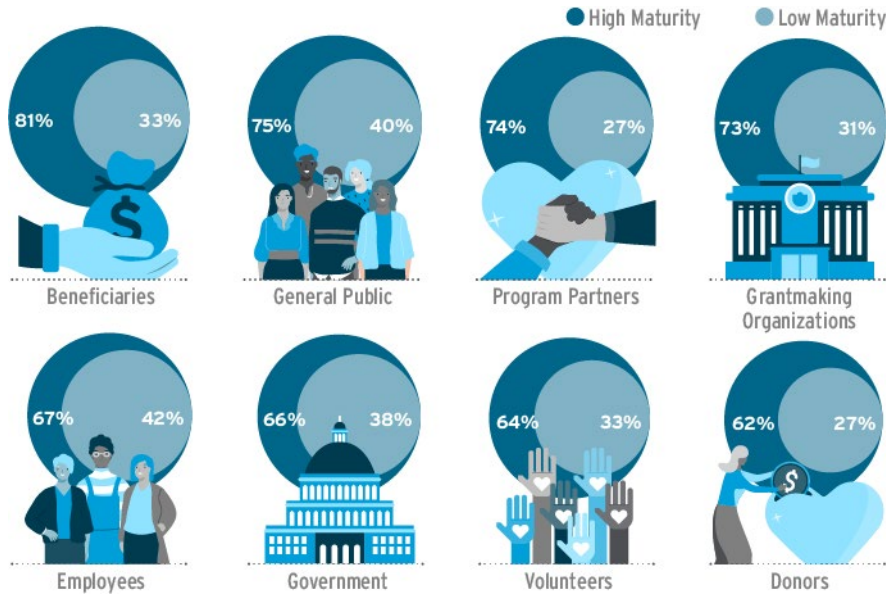
The amplified role of AI in charitable giving over the next three to five years paves the way for a more strategic, precision philanthropy. At this juncture, the emphasis must pivot towards responsible technology utilization within the charitable sector, striving for immediate impact while simultaneously preserving the long-term viability of the sector at large.

Data underlines some of these ideas: As shown in Figure 9, digitally mature nonprofits report stronger relationships with stakeholders than those with low maturity, according to a 2022 survey.<sup>22</sup> Even so, the same study found that only 23% of nonprofits view improving stakeholder relationships as a reason for digital transformation. There is more practical work to be done in supporting nonprofits to understand how digital technologies might help rebuild the donor base.

<sup>22</sup> Salesforce, *The Fifth Edition of the Non-Profit Trends Report*, 2022.

**Figure 9. Greater Digital Maturity Is Associated With Strong Stakeholder Relationships**

Share of nonprofits reporting they have a strong relationship with each group (%)



Source: Salesforce 2022

At the same time, and as we have described in previous reports in this series, the nonprofit sector faces challenges in adopting new technologies. Most nonprofits do not have resources to invest in new technologies, and many do not have the in-house expertise required to leverage frontier innovations, meaning that they fall behind the for-profit economy in adopting technological innovations.<sup>23</sup> Illustrating this, when we asked our panel of interviewees an open-ended question about the role of technology in the future of giving, most spoke about social media, creating a website, and being in touch with donors digitally — they did not speak about more frontier forms of technology like artificial intelligence. Of these more nascent forms of technology, one interviewee commented, “*We were just not built that way.*” That is, while the sector is endlessly innovative, technology is not part of nonprofits’ DNA. It will be a significant shift for nonprofits to go digital in their fundraising — even, as one noted, in organizations that make extensive use of technology in their programs.

Susan Krimigis, U.S. Industry Head for Nonprofit Banking at Citi Commercial Bank, sees things changing in the years ahead as innovative technologies support nonprofits to drive efficiencies.

<sup>23</sup> Citi GPS, [Philanthropy and the Global Economy: Opportunities in a World of Transition](#), November 2021.

## Nonprofits of the Future: More Tech-Enabled and Market-Based

**By Susan Krimigis, U.S. Industry Head, Nonprofit Banking, Citi Commercial Bank**

As nonprofits have proliferated, they have grown larger in scope and there is an increased importance of nonprofit organizations in a globalized world. Expansion in the nonprofit sector has been fueled by the rise in global conflict, poverty, wealth inequality, food insecurity, and social injustice.

Collective giving is on the rise globally, and technology and social media are changing how nonprofits reach their audience. Engaging young donors will be critical as the core support base is aging, and establishing fundraising efforts by age group, crowdfunding, and collaboration with influencers and partners will be some of the ways nonprofits differentiate their efforts. Artificial intelligence will help nonprofits analyze large amounts of data to gain insights on their donor base, more efficiently learning patterns of behavior. Novel market-based methods of giving such as impact investing and giving vehicles such as donor advised funds are becoming mainstream and will keep growing as a funding source. There continues to be a stronger presence of nonprofit organizations in the microfinance industry, leading to affordable loans available through microfinance institutions.





Budget constraints have historically prevented nonprofits from investing in technology integration; however, we will see a big change in this over the next few years as they look to create more efficiencies in both fundraising and banking operations.

Considering these challenges and how they might evolve going forward, nonprofits will need to be selective in deciding over the coming years and decades which new technologies they will make use of. In conversation, Eileen Heisman, CEO of National Philanthropic Trust, noted that *“the social sector has to decide which elements of technology to engage with and which to ignore, [or] else organizations will split their attention too thinly.”* With few resources to dedicate to technological innovation, focus and intentionality will be key. Another interviewee agreed that while partnerships with technology firms might bring new ways of using frontier technologies, *“there is some suspicion about the value proposition of some tech innovations; it can be difficult for nonprofits to see through the hype.”* Key questions for nonprofits going forward then, are: Which technologies should they adopt, when, and for what?







## How to Respond to the New Donor Base

### Actions for Nonprofits:

-  Build trust, especially among lower income groups, to boost smaller value donations.
-  Invest to communicate impact more effectively and more widely.
-  Consider using technology to better understand populations of potential donors.
-  Explore effective and reciprocally beneficial corporate partnerships.

### Actions for Philanthropists:

-  Support nonprofits to invest in technologies that would help reach a wider donor base.
-  Consider matching funding pledges to support democratizing philanthropy.
-  Fund holistic research and evaluation initiatives to better understand impact.
-  Leverage networks to support collaboration between nonprofit and for-profit industries.

## The Changing Nature of International Giving

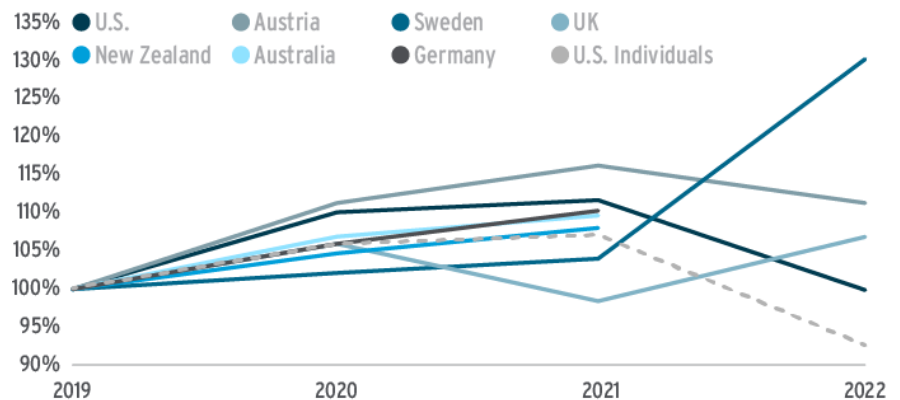
So far, we have so far only looked at who gives to nonprofits. We will now turn to the value of philanthropic flows. The story of charitable giving in 2022 is inextricable from the story of the Ukraine war. But despite a common driver, trends in philanthropic dollars continue to vary between countries. We argue that what happened to the headline figures on giving in a country might be explained by the share of charitable dollars that tend to go to international causes in that country.

### Global Trends in Philanthropic Dollars

Trends in the total amount of money given to charity are diverging widely in different parts of the world — even among the limited countries that have published data since our Citi GPS report *Philanthropy and the Global Economy v2.0* was published in October 2022. Figure 10 shows total charitable receipts adjusted for inflation and normalized to 2019 levels in seven countries. The eighth line — the dotted line with the steepest downward gradient into 2022 — is the total amount given by individuals in the U.S., illustrating again that giving in the U.S. is shifting away from individuals towards institutions.

Figure 10. Trends in Giving 2019-22, Selected Countries

**Philanthropic giving in each country relative to its own 2019 baseline**  
(Adjusted for local inflation)



Source: Giving USA, Fundraising Verband Austria, Giva Sverige, Charities Aid Foundation UK, Charities Services Nga Ratonga Kaupapa Atawhai, Australian Charities and Not-for-Profits Commission, Deutschen Spendenrat.

The countries represented in Figure 10 are narrower than we might like, and a noticeable gap is that no African or Asian countries are represented due to a lack of recent data. However, those included represent a large share of global giving and include some of the most philanthropic countries in the world, both in absolute terms and relative to their economies. They also illustrate the full spectrum of trends in charitable giving and the extent to which these are diverging around the world. Starting with the U.S., charitable giving declined 10.5% in inflation-adjusted terms to \$499 billion, reversing increases seen in the previous two years. This was even more acute for individual giving, which fell to only 93% of the amount given by individuals in 2019, adjusted for inflation, at \$319 billion.

A similar, though more modest, decline was seen in Austria. Elsewhere, 2022 brought significant growth in charitable giving in Sweden, from a standing start, where after multiple years around SKr10 billion (\$913 million), giving reached SKr13 billion (\$1.187 billion).<sup>24</sup> In the UK, a recent decline in giving was overturned and giving reached £12.7 billion (\$15.4 billion).

However, while the UK saw growth in charitable giving in 2022 — which can be attributed to an outpouring of giving in support of Ukraine — Matt Whittaker, CEO of Pro Bono Economics, highlights structural challenges for UK philanthropy similar to those described in the U.S. above. He warns of a nonprofit sector “*running hot*,” which needs a response from the private, public, and social sectors to put nonprofits onto a more secure footing. The latest data for the UK might present an optimistic picture, but Matt’s comments on the future of the sector advise caution.

### Seizing the Opportunity: The Near Future of the UK’s Nonprofit Sector

**By Matt Whittaker, CEO, Pro Bono Economics**

UK charities have played a vital role over the last four years in helping the country navigate the challenges of Covid and cost-of-living crisis. Having run hot over this period, however, the sector risks burning out in the near-term. Volunteer numbers have crashed, and donors are showing clear signs of giving-fatigue — compounding the structural decline in donation rates already in place in the decade preceding the pandemic. Bouncing back, and shifting to a more secure footing, requires an active response across a range of actors.

Sector leaders will need to take hold of the opportunity provided by artificial intelligence (AI) in a way that benefits all organizations rather than just the big players. Properly utilized, AI could transform service delivery (think online chatbot advice to supplement face-to-face contact), resource management (establishing models that can predict the demand facing organizations), and fundraising (using big data to understand and better target the potential donor population).

To support this opportunism, institutional and philanthropic funders will need to continue to learn the lessons of the recent past by providing nonprofits with longer term and more flexible funding that gives them the freedom to explore, experiment, and occasionally fail.

Policymakers also need to step up. Encouragingly, the UK government is already taking positive action by implementing a sixfold increase (from a low base) in the resources allocated to supporting the development of national philanthropy policy. And regulators such as the Charity Commission of England & Wales and the Financial Conduct Authority are exploring what more they can do to support charitable giving too. But there is more to do to stabilize the sector and allow it to serve as a partner and critical friend to policymakers.

Five years from now then, there is clear potential for the non-profit sector to be delivering even more than it already does. Achieving that potential is far from guaranteed, however, and requires stakeholders in all sectors — public, private, and social — to pull together in support of this common goal.

In the biggest economies for philanthropy, therefore, one word characterizes the evolution of giving in recent years: volatile. Following consecutive record-breaking years in the amount given to charity in the U.S., 2022 brought a reversal with declines in giving both in real and absolute terms. Likewise in the UK, giving has bounced between growth and decline since 2019.

Irina Berg, U.S. Industry Head for Nonprofit Banking at Citi Commercial Bank, underlines the impact of this volatility on nonprofits but also the resilience of the industry in the face of such a challenge.

<sup>24</sup> All currency conversions are approximate and as of October 19, 2023.

## Remaining Resilient Amid Volatility

*By Irina Berg, U.S. Industry Head, Nonprofit Banking, Citi Commercial Bank*

The nonprofit industry has seen significant volatility over the last several years, with varied performance based on an organization's scale and mission. Many nonprofits across the industry share similar concerns of impending inflation, market volatility, and changing regulatory environments. As post-COVID charitable giving begins to stabilize, many nonprofits are concerned that replenishment will not come fast enough to fulfill the rising demand for their services.

Nonprofits need to take action across their organizations to reduce any impact from current economic conditions. Staffing is one of the main industry challenges, as it threatens the impact nonprofits make in their communities and prevents much-needed public services from reaching those who need them. Expense management will be mission-critical over the coming years, to maintain operational efficiencies and maximize mission delivery. Systematic recruiting of volunteers and creative collaborations, such as consortiums, are some of the innovative methods organizations have adopted to hedge against the risk of unpredictability. Nonprofits should also seek additional funding sources, new and diversified revenue streams, and implement expanded programming. Digitization continues to be an essential element to improve operating efficiencies.

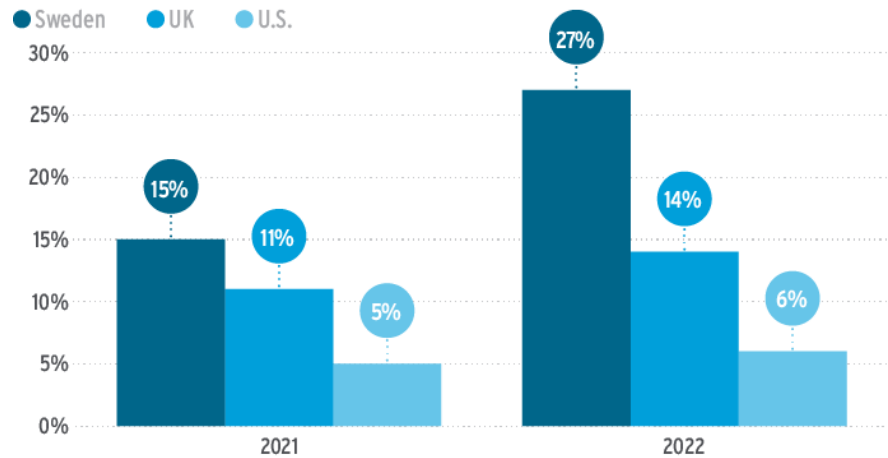
As nonprofits continue to navigate pandemic recovery, the outlook for the future is hopeful. Many organizations are highly satisfied with the progress they're making towards their financial goals. Nonprofits are becoming more innovative and entering strategic partnerships to gain synergies. While the economic outlook is still uncertain, nonprofits have always remained resilient in times of volatility, and will continue to deliver their missions by evolving and growing.

## International Giving Drove Growth Where It Was Already Greatest

Explaining this global divergence in giving trends is challenging. One hypothesis is that economic headwinds were greater in some places than they were in others. This line of thinking might be especially compelling since economic headwinds are a significant reason that people say they do not give. But there is no obvious correlation between recent trends in giving and economic metrics like the domestic rate of inflation, which was higher in Sweden and the UK, where giving increased, and lower in the U.S., where it declined.

A better explanation is the share of charitable dollars that customarily flows towards international causes in each country. Almost every country's annual report on charitable giving that we examined in researching this paper discussed the war in Ukraine as a driver of charitable giving in 2022. Yet, only in some places did the outpouring of support for Ukraine increase overall charitable receipts.

**Figure 11. Share of Charitable Giving to International Affairs or Humanitarian Aid in Select Countries**



Source: Giva Sverige, Giving USA, Charities Aid Foundation UK

Figure 11 compares the share of charitable giving by individuals flowing to international affairs or humanitarian aid in the U.S., Sweden, and the UK. In the U.S., international affairs is one of the smaller charitable causes, accounting for around 6% of dollars in 2022, modestly up from 5% in previous years. By contrast, in Sweden, humanitarian aid has long been a top three cause, receiving 15% of total donations in 2021. This grew to 27% in 2022 and made humanitarian issues the biggest charitable sector along with giving to causes for children and young people.<sup>25</sup> To a lesser extent, the same pattern can be seen in the UK. International aid was the second-most prolific cause in 2021 at 11% of donations. In 2022 its share grew to 14%, tying at the top with religious causes.<sup>26</sup>

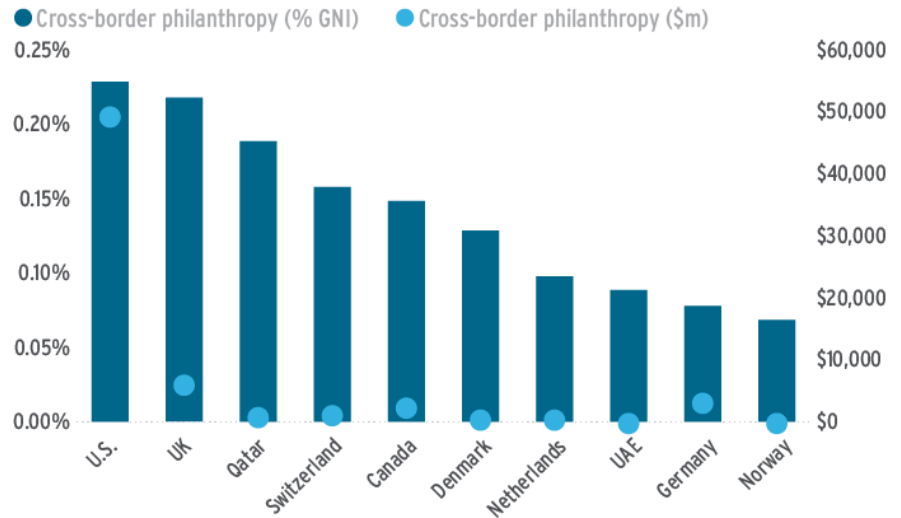
These differences closely track the variation in philanthropic giving trends in each country in 2022. In the U.S., total giving was down, and although its share grew modestly from 5% in 2021 to 6% in 2022, international causes were a small share of total giving by individuals. In the UK and Sweden, international giving makes up a larger share of charitable dollars, and as dollars flowed to Ukraine in 2022, headline figures were up overall. So, one explanation of these differences is that an outpouring of giving in support of Ukraine was enough to push up overall charitable receipts, but only in countries where giving to international causes was already a large share of donations.

The labels under which charitable giving is reported in different countries makes comparing and interpreting these data a challenge. There is also some international giving masked in these high-level causes; for example, giving to health in the U.S. includes health-related development, which is a significant cause supported by some large foundations. However, wider data on cross-border giving highlights that the U.S. gives less to international causes as a share of its charitable dollars while also showing that international giving in the U.S. is still a significant amount of money in absolute terms and as a share of its economic output.

<sup>25</sup> Giva Sverige, [“Giving Figures in 2022,”](#) (Swedish language), accessed October 2, 2023.

<sup>26</sup> Charities Aid Foundation, [UK Giving 2023](#), 2023.

Figure 12. Philanthropic Outflows by Country, Top Ten Countries by Share of GNI Given, 2020



Source: Global Philanthropy Tracker 2023

Figure 12 shows that while individual philanthropy in the U.S. does not focus on international causes, the absolute dollars given and the share of Gross National Income (GNI) flowing out of the U.S. is still significant. Indeed, it merits noting that many large foundations in the U.S. give extensively to international causes. However, the UK — which gives less to charity every year both in absolute terms and as a share of its GDP — has almost the same share of its GNI in philanthropic outflows as the U.S. does. In the UK then, international giving is a higher share of total giving. As a result, in 2022, growth in international giving was enough to prop up the headline figures on charitable gifts in the UK — but not in the U.S.

### Giving Became Even More Local During the Pandemic

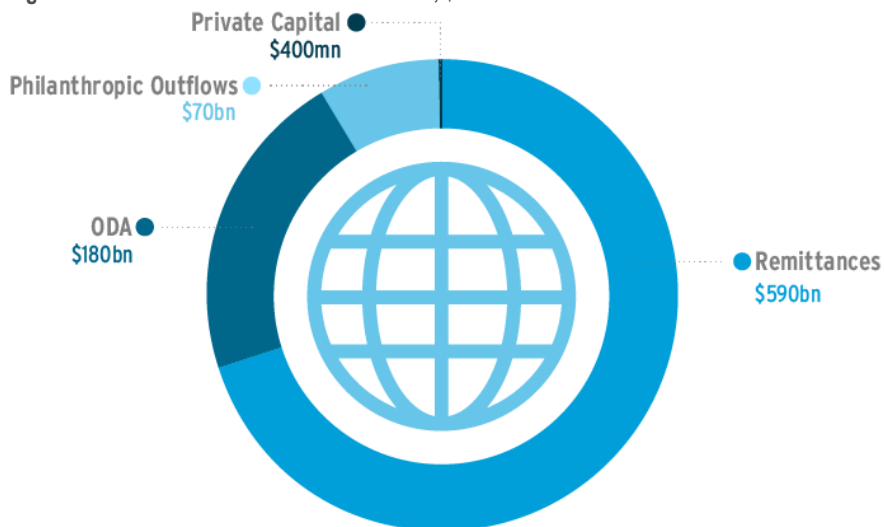
Increasing donations to international causes in 2022 were driven by an outpouring of giving to Ukraine rather than any longer-term, structural shifts in philanthropy. As we look to the future, geopolitical events will likely continue to determine the share of charitable dollars flowing to international causes each year. This is not specific to international causes. We saw health-related causes grow in prominence during the pandemic and then sink back again, and we perhaps ought to expect the same here.

The well-established broader trend is for charitable dollars to stay in the country where they were given. A 2023 report on cross-border giving from the Lilly School of Philanthropy found that philanthropic giving became modestly more local in 2020 compared to 2018. While remittances were resilient, cross-border philanthropic flows declined by 0.5% in 2020.<sup>27</sup> Figure 13 shows that philanthropic outflows totaled \$70 billion in 2020 and were a small share of total cross-border flows. Given our estimate from 2021 putting philanthropic donations at half a trillion dollars each year, \$70 billion is also a small share of total giving.<sup>28</sup>

<sup>27</sup> The Indiana University Lilly Family School of Philanthropy, *Global Philanthropy Tracker 2023*, 2023.

<sup>28</sup> Citi GPS, *Philanthropy and the Global Economy: Opportunities in a World of Transition*, November 2021.

Figure 13. Global Cross-Border Flows in 2020, \$ Billions



Source: Global Philanthropy Tracker 2023

Insights from our interviewees illuminate why philanthropy tends to stay local and why it might have become even more local during the pandemic. “*The pandemic made people look at their immediate community,*” described the CEO of one nonprofit. “*Donors saw a need there and wanted to support local interventions to have an impact on the people around them.*” Another interviewee further described the impact of the pandemic in showing the need for philanthropic giving and charitable services in local communities, saying, “*The experience of the pandemic showed many that we don’t have social systems in place to support us all.*” This makes the expansion of international giving in 2022, however modest, even more notable: Giving became more local in 2020, and giving data for the limited countries that have 2022 data available suggest that just two years later, it might have become more international.

There are other forces pushing giving to become more global over the longer term. One interviewee noted that global corporations want to give in ways that are connected to where their employees and customers are. Another noted that when you drill down into causes like health and education, the international gifts really come from foundations. Therefore, as giving philanthropy becomes more institutional, there might be a longer-term trend to become more global. 2022 brought an early indication of what a more international, cross-border philanthropic sector might look like.

## The Future of Cross-Border Philanthropy

By Dr. Una Osili, Director of Research, Center on Philanthropy at Indiana University

The pressing global challenges we face today call for innovative ways of mobilizing resources, enhancing philanthropic ecosystems, and strengthening collaborations across countries and sectors. An important trend in cross-border philanthropy is the increasing use of digital tools in cross-border giving, including online crowdfunding and crypto donations.<sup>29</sup>

The COVID-19 pandemic provided an opportunity for organizations to rethink their methods of fundraising and volunteering in the digital space. Crowdfunding and other contactless methods allowed individuals and organizations around the world to raise money during a time when it was difficult to solicit in-person donations due to COVID-19 restrictions.<sup>30</sup>

Following Russia's invasion of Ukraine in February 2022, donors provided support via crypto donations. In the year following the invasion, nearly \$70 million was donated via cryptocurrency to Ukrainian donation wallets.<sup>31</sup>

While these novel methods of giving are not without complications, a revolution is happening within the digital giving space. With the ever-growing impacts of global climate change and other global crises, these online methods of providing support to those in other countries—or even continents—will be vital.

In our *2022 Global Philanthropy Environment Index*, with the support of over 100 experts, we examined the environment for philanthropy in 91 countries and economies around the world during the period of 2018–20.<sup>32</sup> We focused on six factors: (1) ease of operating a philanthropic organization, (2) tax incentives, (3) cross-border philanthropic flows, (4) political environment, (5) economic environment, and (6) socio-cultural environment.

The third factor “*evaluates the laws and regulations governing the incentives and constraints of making and receiving cross-border donations.*”<sup>33</sup> We found that on a scale of 1-5, the global average was 3.51, with the Middle East and North Africa scoring the lowest (2.60), indicating a restrictive environment for cross-border philanthropy, and Northern Europe scoring the highest (4.75), indicating a highly supportive environment for cross-border philanthropy. Unfortunately, compared with the previous period studied (2014–17), the global average for this factor decreased by 1.9% among the 79 economies that were included in both the 2018 and 2022 indices, the only factor to see an overall decrease on the global scale.

Compared to the period of 2014–17, 28 of the 79 economies experienced a more restrictive environment for receiving or sending cross-border donations in 2018–20. Common restrictions to cross-border philanthropy are burdensome anti-money laundering schemes and counter-terrorism regulations, which can hinder good-faith cross-border donations, even during times of crisis.

<sup>29</sup> Indiana University Lilly Family School of Philanthropy, *Digital for Good: A Global Study on Emerging Ways of Giving*, February 2023.

<sup>30</sup> Indiana University Lilly Family School of Philanthropy, *Global Philanthropy Tracker 2023*, April 2023.

<sup>31</sup> Chainalysis, “[A Year Into Russia’s War on Ukraine, Cryptocurrencies Continue to Play a Key Role](#),” February 24, 2023.

<sup>32</sup> Indiana University Lilly Family School of Philanthropy, *The Global Philanthropy Environment Index 2022*, March 2022.

<sup>33</sup> Ibid.



## International Giving Shifts Towards Locally-Led Organizations

There is a more significant shift within international giving. Historically philanthropy has been a flow of funds from the Global North, i.e., from countries like the U.S. and UK, to nonprofit organizations that work in lower income countries but are also ultimately run or headquartered in the Global North. One interviewee described philanthropy as evolving to disrupt this view in coming years. Another described momentum growing around a *“movement [in international giving] to fund organizations led by those who are most impacted by the causes the work seeks to act on.”*

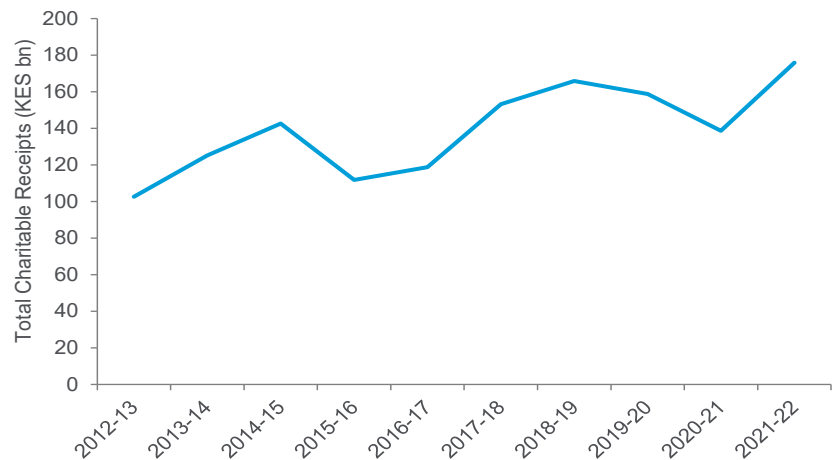
Some described this being achieved through partnerships between multinational and local, Global South organizations, but others highlighted a more pronounced shift in the governance structures of nonprofits that operate internationally. There are some very practical elements of this transition. Nonprofits described examining boards and staff, including senior leadership, to consider where they are located and whether that best serves the aims of the organization. The wider, more abstract question is to ask where decision-making powers are held within an organization.

One example is Education Sub Saharan Africa (ESSA), a charity founded in 2016 that is pioneering evidence-based, solutions-focused approaches to big systemic challenges in African education. Lucy Heady, the organization’s CEO, noted that alongside becoming a formally registered charity in Ghana (one of ESSA’s countries of operation), *“Right from inception we had the vision of a “One-team distributed organization” without offices which would have a majority African board and team and ultimately African leadership. Today 70% of our team are based in 5 African countries. Five of our seven board members are African and with the strong pipeline of talent that we have created we are on track to have a majority African leadership team.”* This shifts ESSA from an organization initially governed and managed in the UK for convenience to one that is well-positioned to impact a range of countries in Africa, towards what another interviewee described as *“independently-governed entities at a more local level.”*

While multiple interviewees perceived this as a shift across the nonprofit industry, it is difficult to quantify the extent to which such a shift is underway. As is so often the case in philanthropy, data is the challenge. Kenyan data is an outlier in its comprehensiveness: The number of NGOs in Kenya is growing, and domestic (rather than international) NGOs account for around 80% of newly registered organizations every year. However, there is nothing yet to suggest that the balance between domestic and international NGOs has changed.<sup>34</sup> Some qualitative evidence for the shifting geography of philanthropy can be extracted from the Kenyan reports: The Kenyan NGO Coordination Board is encouraging nonprofits to reduce reliance on foreign aid by seeking philanthropic support from the local community to boost the sustainability of projects, even in the context of increasing charitable receipts, as shown in Figure 14. This echoes what one interviewee told us: Individual governments in Global South countries are partly driving this trend by advocating for locally-led organizations.

<sup>34</sup> Kenyan NGO Coordination Board, *Annual NGO Sector Report 2021/22, 2023*

Figure 14. Charitable Receipts Increasing in Kenya



Note: We do not include Kenyan only data in this figure because it is based on charitable receipts rather than donations made, i.e., it includes foreign aid and government spending.

Source: Annual NGO Sector Report 2021/22




Counterintuitively, another element of the driving force behind this trend might be the same as the forces driving donors to give to communities that are local to them. The broader trend at play here is increasing acknowledgement that those who are closest to a problem understand it best and should be involved in deciding what is needed to achieve positive outcomes. In some cases, this sentiment drives donors to give to the causes that are closest to them, where they perhaps have the best understanding of what the solutions look like. In an international aid context, this drives donors to support organizations that are led by people closest to the problems. One of our interviewees noted, *“Some donors want to work with the local office — they want local entities, local boards, and local staff.”* This is pushing nonprofits to build capacity in the countries that philanthropic missions have often served from afar so that governance spending decisions can be put in communities’ hands.

One final contributing factor is a push to use the full might of philanthropy to contribute to international development by, as one interviewee put it, *“helping communities to support themselves rather than delivering aid from elsewhere.”* Supporting local organizations is an opportunity to shift the employment created by the nonprofit sector towards local communities. While this might come with challenges, it stands to multiply the impact that a nonprofit can have on a local area by providing jobs alongside the philanthropic intervention. This is distinct but related to the shift towards for-profit business models in the nonprofit sector, as both drive the sustainability of philanthropic initiatives and the engagement of local communities.




There is an opportunity to push this concept even further. Increasing local leadership of nonprofit organizations is a critical step in amplifying the voices of Global South leaders in global decision-making. As one CEO put it, *“This isn’t just about local things being run locally, we also need global issues to have intellectual leadership outside the Global North — the Global South has a contribution to make to global debates.”* Supporting nonprofits that are led locally is just the first stage. The next is to leverage these leaders to elevate Global South perspectives on global issues.

## How to Prepare for a More Globally Balanced Future

### Actions for Nonprofits:

-  Cultivate and strengthen partnerships with beneficiary communities.
-  Prepare to receive and transfer funds internationally, outside Global North to South lines.
-  Increase representation of beneficiary communities among staff and on boards.

### Actions for Philanthropists:

-  Consider power dynamics between the donor, grantee, and beneficiary when giving.
-  Leverage experience to support organizations transitioning leadership to the Global South.
-  Amplify the voices of Global South leaders in global debates.

## Conclusion

We started this report with a question: **What happened to giving in 2022, and how can we expect things to evolve going forward?** There is no single answer, but a key theme that has emerged is the growing role of partnerships — with corporates, beneficiaries, and local organizations.

As giving becomes more institutional and charitable dollars increasingly come from corporates and foundations, effective partnerships with corporates will grow in importance. There is also value to unlock from the nonprofit sector as for-profit companies look towards social purpose. Cultivating reciprocally beneficial partnerships will be key. Philanthropists and foundations can support non-profits as they seek to build these partnerships, including by leveraging their networks.

As international philanthropy evolves to support more local leadership, compounded by the democratization of giving across the globe, nonprofits will also need to cultivate close partnerships with beneficiaries — especially across international borders. Nonprofits might also consider a transition towards local leadership or an evolution of their governance structures towards local decision-making in the countries they operate in. Finance will be a key element of this trend as the flow of philanthropic funds becomes more interrelated and complex rather than moving linearly from Global North to Global South.

These transitions constitute a significant shift in the philanthropic landscape. The nonprofit sector will need to prepare, and philanthropists can support organizations to do so. We began by noting that shifts in philanthropy are often gradual rather than seismic. So, there is time to examine these trends, reflect on what they mean for individual organizations, and take steps prepare — if nonprofits get started now.

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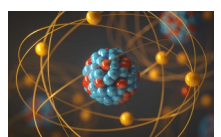
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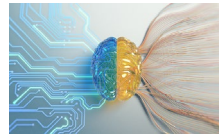
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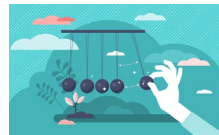
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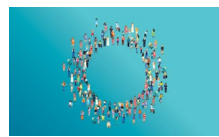
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## Key Insights regarding the future of Philanthropy



### INNOVATION

Charitable giving is becoming more institutional, shifting away from individuals towards corporations, and more substantially, foundations. / **The nonprofit and for-profit sectors are moving closer together, presenting opportunities for the exchange of skills and expertise along with the flow of funds from corporates.** Nonprofits are also exploring new revenue streams by turning to social enterprises.



### SHIFTING WEALTH

The U.S. donor base is increasingly skewing towards affluence as fewer people give to nonprofits while the average donation size increases. Furthermore, higher-income groups were more likely to give both before and during the pandemic. / **An increasingly affluent and more institutional donor base could shift the causes supported by philanthropy.** It could also signal a trend towards larger nonprofits along with further growth in impact measurement.



### TECHNOLOGY

In a recent survey, digitally mature nonprofits reported stronger relationships with stakeholders over those with low digital maturity. / **Technology could play a role in replenishing the donor base by improving connections with donors and reengaging a wider cross-section of the population.**



