

Wealth Report



THE PHILANTHROPY EFFECT

Anna Josse of Prism the Gift Fund explains the intricacies associated with measuring the impact of charitable donations

Philanthropy is inherently personal and so people give to the causes that resonate with them. This can mean donations are not always given according to the most need or producing the most impact. However, with the professionalising of philanthropy, this is starting to change.

Donations in the UK have seen a decline between 2016-2018 with fewer people reporting that they are giving money. Those that do give are giving larger amounts and in 2018, figures showed that children/young people and animal welfare were joint as the most popular causes, though they didn't necessarily receive the most amount of funding (1).

WHAT IS IMPACT?

'Doing good' and 'making a difference' are the predominant factors for giving, but how do we know we are being impactful? Deciding where and how to give is complex. First, you need to

be clear why you are giving and what impact you are trying to achieve. Phrases like 'positive impact' – meaning the intended impact – and 'sustained impact' – its lasting effect – are used under the broader term, 'impact measurement'. Knowing the real impact that donations have on a charity is not standardised. There is no universal measurement and there is a lack of clearly defined data parameters that charities can use to collate the effects of their work.

EFFECTIVE ALTRUISM

One increasingly popular way of deciding how to give is captured in the Effective Altruism (EA) movement. This is an idea and mechanism that claims the best way to give charitably is according to scientific reasoning, as opposed to emotional decision making. Seen as both fair and accurate, effective altruists argue we have a moral responsibility to

help those in need, ensuring we do so in the most efficient way (2).

EA uses high-quality evidence and careful reasoning to work out how to maximise helping others. The community of donors focus their efforts on what they believe are the most promising solutions to the world's most pressing problems. Their work tends to focus in Africa on health-related projects.

TYPES OF MEASUREMENT

There are many ways to measure impact, but clarity is needed on what is being evaluated. For example, do we want to measure the financial value of a charity, the wellbeing of beneficiaries, or broader themes, such as tracking the change in public policy or attitudes towards a certain issue?

Another aspect to consider is if the charity is measuring an output instead of the actual impact this variable has. For example, a charity aiming to improve education can monitor the number of free books given to children, overlooking the effect this has on literacy and exam results. Linking the output of a charity to the actual impact can be harder to measure, however the data gained is arguably more valuable in demonstrating the benefit of the charity to society.

Different scales already used by businesses, such as the Harvard Balanced Scorecard, can be modified for use by charities to assist them in measuring their impact. Adapting this methodology would require the mission objective of the charity to be at the top of the scorecard as opposed to financial objectives (3). However, when frameworks of measurement are not applied

across the entire sector, it's hard to compare charities accurately and determine the most impactful ones to give to.

DONORS TO DEFINE IMPACT

Impact may be more meaningful as a concept when used to measure the effects of a particular intervention within a certain issue, as opposed to applying it across causes. This way, a donor can gain information on the most impactful interventions within particular areas such as the environment, education or healthcare, without pitting different causes against one another.

In 2017-2018, a sample of 150,000 charities reached a total income of £77.4bn (4) – there is a strong incentive to ensure this money is being used efficiently. The shift to impact-based giving is significant in that we are now addressing both immediate societal needs (transactional giving) and solving long-term problems (transformational giving).

Ultimately, what motivates giving is what's important to the donor. In paying greater attention to impact, donors can see what their philanthropy has achieved, helping to encourage continuous giving as well as starting new donors on their philanthropic journeys. ●

prismthegiftfund.co.uk

CITATIONS

- 1) CAF UK giving 2019
- 2) prismthegiftfund.co.uk
- 3) Aleron, 'Adapting the balanced scorecard for use in charities and foundations'
- 4) Charity Financials' Charity Income Spotlight