



# SHARED GIFTING

*TRANSFORMING THE*

*DYNAMICS OF PHILANTHROPY*

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## PREAMBLE

Imagine you are sitting in a room with a group of strangers used to competing with each other to get funding for their charitable work. Now imagine that this group is given a large amount of money to distribute amongst its members with no other authority than what they create together. How do you think this process would unfold?

The common response I've heard is that the meeting would be difficult and awkward, if not an outright battle over the funds. Most people have expressed surprise when I tell them that such a meeting, one actually held, was extremely positive and productive. Upon hearing that the meeting was a success one colleague even asked me, "but this is hypothetical right?" Why is it hard for people to believe that grant seekers could act collaboratively? What is it about the current paradigm of philanthropy that creates these counterproductive imaginations, and on what assumptions are they based?

These questions have been at the center of my personal inquiry into philanthropy and have further motivated my interest in breaking through them into an innovative approach to philanthropy that is appropriate for our times.

My work in philanthropy and at RSF Social Finance started in 2005. RSF is a public benefit grant making organization which has given me the unique opportunity to be on both sides of the donor and grantee relationship. I have worked with foundations, non-profits, and individual donors to receive gifts and make grants. RSF's perspective of looking at the way money works in the world, and our inspiration in Rudolf Steiner's associative economic principles, influenced my initial inquiry about the movement of grant money. The model of grant making described above, called Shared Gifting, was also inspired by Rudolf Steiner who was one of the first modern thinkers to see gift and gifting as the most economically beneficial of all financial transactions. The reaction to Shared Gifting from the philanthropic world, usually one of disbelief, has made me curious about the unconscious assumptions present in philanthropy today and how they might be transformed.

This study is an exploration into the historical and social context that has shaped philanthropy in America. My goal is to uncover the roots of the current structures and dynamics in philanthropy in order to understand why they exist and what impact they may have on the effectiveness of philanthropy. It is also to present a new approach to grant making that creates community and fosters collaboration, one that reflects both ancestral gifting practice and new economic and social structures.

# A CASE FOR SHARED GIFTING

## History of Shared Gifting

The origins of the Shared Gifting concept came from a Wisconsin philanthropist named Elise Ott Casper. She studied the work of Rudolf Steiner and was curious about the nature of the exchange of gift money. Coming from a family that had participated in traditional philanthropy, she felt the relationship between giver and receiver was often an unequal one. One of her advisors, Chris Schaefer, said, “Elise was unique in her interest and willingness to separate money from power. She was interested in creating a situation where her own personal determination would not direct the gift stream. She believed this would build community and strengthen the people and groups involved in such a practice.” Together with her advisors she created the first Shared Gifting group with 12 Waldorf Schools in the Mid-states region.

The first Shared Gifting meeting was held in Detroit in 1984. The projects were given a pool of \$25,000 and told to collaboratively decide where the money could be most effectively put to work. Although the process wasn't smooth in the beginning, eventually the projects learned to embody the concept of gifting and embrace the role of donor to and for each other. Over the years the process evolved to include sharing of organizational information, the successes and challenges that each group faced, and an educational or study component that would benefit all of the organizations. To this day, even if there are no funds to be granted, the group still meets to share, learn, and be in community with each other. After her passing, Elise left the management and development of this program to RSF Social Finance which carries on its management. It was during my first visit to observe this fund-sharing group in action that inspired me to implement this transformative grant making model and share it with a larger audience.

## RSF Shared Gifting Program - Food & Agriculture

RSF decided that the first experiment in Shared Gifting should be in our focus area of Food & Agriculture. For convenience, cost effectiveness, and a sense of shared community, we chose the San Francisco Bay Area as the region. RSF then asked our client community to nominate Food & Agriculture non-profits that they thought were doing exceptional work. 26 organizations were recommended to us and each organization was invited to submit a proposal for funding from a pool of \$50,000. 18 organizations applied and seven were chosen by an RSF staff committee made up of representatives from each of our internal departments. Our staff selected organizations that offered diversity in activities and approach as well as demonstrated a capacity to collaborate.

In February of 2011, RSF hosted the first gathering of the Food & Agriculture Shared Gifting Program. Modeled after the original Shared Gifting group in the Mid-states, the participants spent the first part of the day sharing personal stories and organizational information. This helped lay the groundwork of trust and understanding through the personal values of the individuals in the room, as well as the mission of each organization.

In the second half of the day, space was created for the group to ask questions about each other's proposals. It was in this moment that I saw first-hand the possibilities for this program. Participants asked each other all kinds of questions about the proposals and got answers from the people who would actually be doing the work. This was in sharp contrast to the traditional model of grant making where the person who writes the proposal is often not in the room when the conversations about the project are happening. Afterward, the participants also shared that this was a great opportunity for them as grant writers to read the proposals from a funder's perspective.

Despite the friendly and transparent beginning of the day, as the time to share the funds approached, the anxiety level in the room increased. Each participant was told that of the \$50,000 they were each allowed to keep \$3,143 for their organizations. RSF decided to make this adjustment to the original model in order to decrease any sense of scarcity that might be rising in the participants. We wanted them each to know they would walk away with something. They were then each requested to grant out \$4,000 to the other six organizations in the room. When they asked what criteria to use to make their decisions, we told them, "you are the experts in the field, you decide what work needs to be done."

This was a difficult decision for all the participants and they took different approaches to granting out their funds. Some found everyone's work compelling and thus divided the funds equally. Another participant decided to add requirements to her grants: "People's Grocery would like to grant \$800 to San Francisco Waldorf School (SFWS) to attend horticulture therapy training with the requirement that you return and share what you've learned with our organization." Although this seems more in line with a traditional philanthropic model in terms of requiring outcomes, this proved to be an especially transformative moment because with this requirement the organizations were sharing resources. What would have been a grant for one learning opportunity had become a grant to benefit two organizations. In addition, this grant requirement was creating future collaboration between the grantees. The San Francisco Waldorf School was excited about fulfilling the grant requirement.

In some cases organizations offered resources in lieu of funds: "Movement Generation would like to introduce Partners for Sustainable Pollination to some of our contacts in Marin, and would be happy to share our environmental curriculum with SFWS." This interaction proved to be another significant moment in the sharing of grant funds. With this offer not only were the participants sharing grant money, but their other resources as well.

In addition, a few groups granted money towards a creating a future community event where representatives of the groups could reconvene to share their progress with each other and invite partners and other funders to join and learn more about the Shared Gifting program. It was amazing to see how quickly the pot of \$50,000 grew into a bigger fund of resources, information and contact sharing, and, more importantly, to see the groups working in the spirit of abundance rather than scarcity.

This first round was followed by a second round of the Shared Gifting Process, in which organizations were allowed to choose to gift more money from their own pot to support organizations they felt had not received enough, or even just to show their support of other's work. Many organizations gifted additional funds to each other and to the community event and, against all historical assumptions; they gifted money back to RSF to support a matching fund for future rounds of Shared Gifting. For grantee organizations to be conscious of supporting their funder shows that they became aware of the value generated through the reciprocal nature of gift money.

## *Feedback from the Participants*

After the meeting I had the chance to interview the participants to hear their thoughts on the successes and challenges of the process and model. One participant, Lauren, from the Free Farm, was incredibly moved by seeing a grant making model that mirrored the work of her organization. As she put it, “To be a part of a process of funding that felt similar to the process of doing social justice work was really important to me. That has been the thing that stayed with me from the experience.”

Another participant, Nikki Henderson, from the People’s Grocery, shared, “It is a more efficient way of utilizing money. Right now the funders get together and the non-profits get together and collaborate separately. They should all be at the table together, to come together as equal players. It would go a long way towards solving the unequal distribution of wealth.” She went on to explain how People’s Grocery has been researching social fabrics and networks and how they are indicators of wealth. She said, “The implications of Shared Gifting were a big deal to me. The way that traditional foundations grant doesn’t create social networks. The Shared Gifting model does.” Nikki also pointed out that she saw a lot of room for peer accountability. Sometimes in grantor/grantee relationships the power dynamics can make troubleshooting and strategic brainstorming difficult. “Shared Gifting would make those conversations easier. It’s a peer group reflection,” she said.

The participants also experienced some challenges. The diversity in the group of non-profits, both in size and focus, made it difficult for some organizations to find opportunities for collaboration. Others felt the whole process took both too much, and too little time. As the facilitator the main challenge was getting the participants to let go of the traditional view of how grant money is directed and be open to an experiment in giving. This intention needed to be reiterated a number of times and I think it gave the participants the freedom to trust and be innovative.

Another interesting moment in the meeting came when the participants, inspired by the process, asked to know who the donor was and if they could participate. We explained that money had come from our operations and was a gift towards both innovations in philanthropy and the field of Food & Agriculture in the Bay Area. This demonstrated another shift in the traditional paradigm of donor/grantee, in that the gift money had been generated from our operating revenue and then gifted out to create something new in the world.

## **Similar concepts in the field**

There are a number of other experiments that have moved the philanthropic field to be more democratic, open, and accessible in terms of the power structure around decision making. Most of these programs work to include community members in the decision-making process, or to be sure that the decision-making group is made up of peers or community experts.

One example is the Funding Exchange. In 1979, this group was created by a group of socially progressive philanthropists who were willing to not only give up their money, but the control as well. They invited grassroots activists to participate in their grant making decisions. Their main focus is on providing resources to support progressive social change, especially in areas that are typically underfunded by traditional philanthropy.

While this type of work has been invaluable in helping the field to be more democratic and representative, it doesn't remove the deeper structure of the grantor/grantee relationship. Even when the decision-making body is made up of a group of peers, they still have control. While these types of models follow a good impulse, they don't move the participants into a place of being gifters to each other and being in community with each other.

## **What does Shared Gifting create?**

Ultimately, all of the participants in the RSF group were inspired by the model as a more effective and engaged way of disbursing grant funds. The model created a sense of abundance, community, and mutual trust among a group of grantees that had previously never worked together. One reason for this is that the initial gift from RSF to the group came from a gesture of trust. RSF had no intended outcomes or objectives for how the grantees would use the money, other than transforming the practice of grant making. Rather, RSF asked the group to use its collaborative wisdom to determine the best use of the funds. That gesture of trust created reciprocal trust, both among the participants and between the participants and RSF as the initiator. It also freed the grantees to create mutually beneficial collaborations and outcomes.

The gift from RSF to the group was also an act of social faith, or trust in work of the participants and the field. As the gift moved from RSF, to the participants, and then to each other, it was creating a social fabric. In his book, *The Gift: Creativity and Artistry in the Modern World*, Lewis Hyde describes this circle of giving as a form of reciprocal giving, "when the gift moves in a circle its motion is beyond the control of the personal ego, and so each bearer must be a part of the group and each donation is an act of social faith." The giving of gifts creates a social interdependence that builds trust and community within a group.

It is by giving, so that others may give, with the spirit of faith in our communities and partners, that we begin to reinvigorate a philanthropic field that is rightfully based on trust, reciprocity, and abundance.

## GIVING—TRUE GIFTS REALLY DO KEEP GIVING

The words philanthropy and giving are often used interchangeably, yet there seem to be distinct differences in their meaning. Giving represents the transfer of something, to someone else, without the expectation of receiving something in return. Yet gifts are not so simple. Giving in its earliest form was almost always reciprocated as part of a complex set of contracts and agreements that were the foundation of early societies. In the book, *The Gift: The Form and Reason for Exchange in Archaic Societies*, Marcel Mauss explains, “what they exchange is not solely property and wealth, movable and immovable goods, and things economically useful. In particular, such exchanges are acts of politeness: banquets, rituals, military services, women, children, dances festivals, and fairs, in which economic transaction is only one element, and in which the passing on of wealth is only one feature of a much more general and enduring contract.” It was through gift exchange that all of the needs of the society were met and that wealth was shared throughout the community. It is from studies of original gift culture that we can see the importance of gift exchange to the foundation of community.

Modern society continues to be dependent on gifts in order to exist, although this fact is often obscured from our consciousness. Gifts are what support our education, culture and arts. Gifts provide the opportunity to experiment and to innovate. It is even the context for each of our upbringing. In John Bloom’s article titled, “From Prime Mover to Freedom: Spirit Matters in Giving”, he explains, “each of us is born into a gift economy; that is, our physical needs for nourishment and care are met through the gifts bestowed by parents without expectation of recompense. So we begin life in gift, which we then develop, through education and other life experience, into capacities to serve others and meet our own needs. This means that what we absorb as gift, we are able to give back to the world through our own intentions and work.” The fact that many of our capacities have in fact been gifted to us helps to understand why Rudolf Steiner felt that the gift was the most beneficial of all financial transactions. Not only is there no exchange necessary for a gift, but a gift also creates something that keeps on moving and growing in the world.

In his book, *The Gift: Creativity and Artistry in the Modern World*, Lewis Hyde compares folk talks with ethnological research from early societies to understand the nature of gifts. He explains that the essential quality of a gift is that it be passed along and stay in motion. By staying in motion the gift will continue to benefit all of the community. He explains that it doesn’t necessarily mean that the same gift must continue to be passed along, but that the spirit of the gift must be passed along. The gift must not be kept as capital, sold or stagnated or it loses its spirit. Pragmatically, this makes sense from a community sustainability perspective. By keeping a gift in motion it remains abundant. Hyde states, “with a gift, as with love, our satisfaction sets us at ease because we know that somehow its use at once assures its plenty.”

Looking at gifts made today we can see that this essential quality of gifts remains true. In his article, *The Infinite Value of Giving*, Siegfried Finser describes the impact of a \$1,000 gift made for a school auditorium. “When you gave the \$1,000, most of the children benefiting from it were not even on earth yet. They kept coming and coming, benefiting from your \$1,000. When each of us leaves the earth...the gift endures. It has a kind of immortality none of us have. Now I ask, ‘Who is really the receiver of a gift?’ Is it the one who accepts it? The one who accepts it is

obligated to do what he/she has promised to do in order to accept the gift. Perhaps the real receiver of a gift is the whole of humanity until the end of time.”

Through these examples we can see that gifts are a more complex financial transaction than characterized in our current economic paradigm. Gifts are the foundation for human communities, remain as the genesis for culture, education and innovation, and continue to flow through the world in endless circulation.

In contradistinction to gifts and gifting, philanthropy has a different meaning. If you give a gift to a friend for their birthday, are you a philanthropist? In its modern use philanthropy tends to refer mostly to the industry of grant making through foundations and charities, and to individuals with enough wealth that they have the capacity to distribute significant sums of gift money. So how does philanthropy compare with giving? It is this question that led me to learn more about the history of philanthropy.

## The Growth of the Industry of Philanthropy

Etymologically, philanthropy is “the love of humanity.” Its use first appeared 2,500 years ago in the mythology-based play *Prometheus Bound*, by Aeschylus. In this myth, Zeus was planning to destroy all humans, who then had no knowledge, skills, or culture. A titan named Prometheus, out of his love of mankind (*Philanthropos*), stole fire from Zeus and gave it to the humans, and taught them the arts of civilization such as writing, mathematics, agriculture, medicine and science. This origin story does a great job of succinctly describing the world of philanthropy today: people and institutions using their power and wealth to benefit humanity.

While gift giving has been a part of human culture since its beginning, philanthropy in its modern “industrial” form has more recent origins. The massive accumulation of capital during the American industrial revolution allowed for individuals to build fortunes that previously had been held only by royalty. The question of what to do with all of that money was answered by individuals like Henry Ford, John D. Rockefeller, and Andrew Carnegie and other “captains” of industry who birthed modern philanthropy through the creation of private foundations in the early 1900s. Until then, most charitable giving was supported through religious groups and was aimed at the immediate assistance of the poor and needy. The primary mission of these early private foundations was to take a large-scale strategic approach to solving major social problems that the government could not. Legislation passed by US Congress in 1917 that allowed Americans to take tax deductions for their charitable donations fueled the growth of both foundations and non-profit organizations in the United States.

The altruistic intentions behind the creation of many foundations became more complicated by 1960. Since then some foundations have routinely been used as tax shelters and to compensate relatives and the donors themselves. At the end of the 1960s Congressional hearings were held in an attempt to halt these abuses by foundations. This resulted in the Tax Reform Act of 1969 which, among other things, mandated that private foundations pay out 5% of their total assets annually to charities, limited the political involvement of foundations, and gave more favorable tax breaks to public non-profit organizations than those accorded to private foundations.

In reaction to this legislation, a group of foundations formed a non-governmental commission on philanthropy to study the role of philanthropic organizations in the American landscape. It was called the Commission on Private Philanthropy and Public Needs, or the Filer Commission after the committee chair John Filer. In 1975 the commission published a report titled, “Giving in America: Toward a Stronger Voluntary Sector,” which was the first

report to look at philanthropy as a whole field. One of the most significant outcomes of this report was the influence it had on the identity of the non-profit sector. In an article from the *Chronicle of Philanthropy* titled, “Donors Big and Small Propelled Philanthropy in the 20th Century,” Thomas Billitteri explains that, “The Filer Commission’s work helped to forge closer ties between grant makers and grant recipients, two groups that often had been suspicious of each other’s motives and methods. The result... was that charities, foundations, and other segments of the non-profit world began to think of themselves for the first time as part of a single philanthropic entity.”

By 1980 an entire philanthropic industry had emerged in the U.Ss with new philanthropic occupations, academic study centers, and expertise needed in philanthropic strategy and marketing. Associations had formed to support all levels of philanthropic staff, research organizations to study philanthropic effectiveness, and monitor groups to promote best practices. Commercial firms, independent consultants, and professional advisory service groups have also entered the space as more people are drawn to the potential growth of the industry. Even the institutional investment firms such as Fidelity jumped into the market by creating a foundation for charitable giving linked to investment funds. As a business model this meant they had more assets under management and more products and service to offer customers.

In 2010 the total amount of charitable giving in the United States was around \$290 billion and it continues to grow. The number of people accumulating significant surplus wealth is growing, and this group is creating private foundations or other charitable vehicles. The number of foundations in the US has increased 6% since 2005, and Donor Advised Funds have increased 25% since 2009. As social and environmental problems also continue to grow in scale and consequence, the question of how to use charitable dollars effectively becomes more important.

Typically foundations have a grant application process in which grantees apply to the foundation to receive some portion of the 5% payout. Grant proposals are reviewed by the foundation staff that typically has expertise in the issue area. The Board of Directors decides how much should be given and to whom based on guiding principles that are most often determined by the original donors. Next a grant contract is signed to assure that certain outcomes are achieved with the grant money. Finally, the grantee is responsible for reporting back to the foundation on the success of their grant and that the funds were used as agreed.

By looking at the way that money flows in the current paradigm of philanthropy, some of the main assumptions are revealed: that the foundation or the person with control of the money has the right, and is best suited, to decide how that money should be used, and that one can expect there will be measurable outcomes as a result of the funding. Where do these assumptions come from and what impact do they have on the success of philanthropic work?

## **Donor Authority**

The assumption that foundation board members and donors make the decisions on how charitable money is directed is rarely questioned in the philanthropic world. It is an assumed fiduciary responsibility and considered a right. Our society, guided by the principles of capitalism, individualism, and private property believes that the person who earned the money is the one who gets to and is best suited to determine its use. While many foundations employ program officers to help advise them on the best way to direct the money, the final decision and control lies with the legal fiduciary board.

In the late 1800s Andrew Carnegie wrote an essay called the “Gospel of Wealth,” a seminal work written around the same time that the first foundations were created in the United States. Carnegie’s ideas continue to inform philanthropists and foundations to this day. In this document Carnegie espouses his beliefs around the proper use of excess wealth. “The man of wealth thus becomes the mere trustee and agent for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than they would or could do for themselves.” Carnegie’s statement was a result of the times in which he lived. During this era, the previously unparalleled wealth accumulation of businessmen came to be seen as a capitalist version of survival of the fittest. The ability to acquire wealth was evidence of superiority and power. A person’s inability to create wealth was viewed as a negative reflection of their intelligence, motivation, and abilities, despite the realities of class, race and government policies that may have had a far greater impact on wealth creation.

There is now a growing awareness that some of the wealth accumulation is the result of the exploitation of humans and nature. For example, you make more profit when you don’t have to pay workers a living wage or ensure the environment is not damaged in the extraction of raw materials. As challenging as it may seem, there is one point of view that sees all wealth accumulation as a result of social injustice. In a way, extreme wealth accumulation can be seen as the extraction of the wealth of our shared world into private hands. While it is noble that many wealthy individuals turn their fortunes over to philanthropy, it is ironic that often this philanthropic wealth, or at least the 5% distribution portion, is working to heal the social inequities and environmental destruction that may have created the wealth in the first place. From this view it does not follow as logically as one might think that those who create wealth are the best to distribute it. Yet, as evidenced by the influence of the wealthy in the United States, the assumption remains that to whom capital accrues, so does wisdom, power, and control.

This cycle of money is the current paradigm in philanthropy: extracting wealth from the world in a way that creates social and environmental problems, and then those who accrued the wealth direct how the funds are used to help alleviate those problems. Similarly, investment advisors often say that it is better to make a lot of money off your investments and then donate that money, than to invest in socially responsible companies on the assumption that the latter may not be as “productive”. It is becoming clear that this paradigm does not address the root cause of many of these problems. The growing interest in mission-related investing shows that many in the field are ready to shift this paradigm.

### *Who is Best Suited to Decide Public Benefit?*

When a donor makes a gift to a charity or foundation and takes a tax deduction for it, she/he is supposed to give up control of the funds for public benefit. This is legally required by the Internal Revenue Service (IRS) in order to get a tax deduction. Yet, when the donor sits on the board of the foundation, the issue of control becomes muddied. How does a donor participate in the movement of the gift after giving up control and what impact does this have on the public benefit?

Unfortunately, the assumption that the donor is the best to determine how charitable funds should be used has many potentially negative outcomes in the philanthropic world. For one, sometimes philanthropic dollars tend to flow towards the interests of the donors, rather than flowing towards the needs of the community. In an article from the *Chronicle of Philanthropy* titled, “Fundraising and Program Goals Often Clash,” Caroline Preston surveyed a number of non-profits and found that they are facing an interesting challenge. Donors are coming to non-profits wanting to fund specific programs that aren’t sustainable for the non-profits to create. The interests of the donor and the needs of the non-profit are not aligned. Rather than seeking out what the needs are, donors often have an

idea already about what they want to give money to. Consequently, philanthropy isn't as responsive and agile as it could be if the money were distributed based on community-determined needs, rather than donor's interests.

Another result of the money flowing from the donor's interests is that it creates a scattered philanthropic field with thousands of different strategies at work. There is a saying in the philanthropic world, "if you've met one foundation, you've met one foundation." Almost all foundations create their mission and vision around the charitable interests of the original donors. Given that there are over 100,000 foundations in the United States, this creates 100,000 differing theories of change and grant strategies to support them. Although recently more work has been done in the industry to share best practices and create learning communities for foundations working in the same field, many foundations continue to work independently. This creates a philanthropic world that is still individualistic and lacks a unified strategic focus, which in turn limits its ability to create effective and lasting change.

This is not to say that wealth is bad and should not accumulate; wealth is naturally going to create surplus capital. Rather to ask how do we create viable communities to make use of it? If wealth is going to accrue to an individual, what is their relationship to the community? How do we bring community engagement into deciding how that money comes back into circulation?

Community Foundations are a tool that exists to support specific community needs. The first Community Foundation, created in 1914, was the Cleveland Foundation. Founded by banker and lawyer Frederick H. Goff, his vision for the foundation was to pool the charitable resources of Cleveland's philanthropists into an endowment that would forever fund the charitable needs of Cleveland. Now there are over 700 community foundations in the US. While Community Foundations are often more able to stay in touch with the needs of the community and region they support, the power structure of decision making is not very different from that of a private foundation. Those who have the wealth decide how it should be directed.

## **Grantee Perspective: Competition or Collaboration?**

When non-profits apply to foundations for support of their work, it creates a competitive landscape where non-profits are competing with each other to receive funding. This limits collaboration and can impede the success of projects. In the book, *Money Well Spent: A Strategic Plan for Smart Philanthropy*, Paul Brest and Hal Harvey share an example about a well-planned project that failed. "Among the explanation for the initiative's failure were distrust and competition for funding among organizations and agencies, which distracted from the project's main goal." Despite a well-formed strategy, the project failed due to the underlying contention present when groups are forced to compete to receive funding.

In most cases, the decision-making process itself is hidden from the groups applying. Grantees sometimes never get insight into the reasons they were or were not selected to receive a grant. The lack of transparency provided around the decision-making process also limits the possibilities for collaboration among non-profits doing similar work.

As the philanthropic world seeks to be more efficient, it is interesting to note the challenges that arise from the foundation and donor holding a position of power and control over charitable funds. What would be possible if this power and control were shared?

## Consequences of Impact and Outcomes Tracking

Donors and foundations are increasingly interested in tracking the impact and outcomes of their grants. A focus on effectiveness and measurable impact currently leads the field's agenda. Many foundations hire consultants to develop complex tracking tools to provide proof of effective grant making. Another growing trend is to treat grants as investments, and impact created through grant money is considered the social return on investment or SROI. In fact, many grants managers are now simply calling grants "investments."

Many grants come with contracts and agreements that outline exactly how the grant funds should be used and what results need to be achieved. Grantees are responsible for providing both qualitative and quantitative reporting on the impact of the grant money. A result of these requirements is that non-profits often have to spend a portion of their grant funding to create and implement systems to track their outcomes. Not to imply that all outcome tracking is unnecessary, but usually each foundation has its own requirements for what needs to be measured. These tracking and reporting requirements are a huge burden on non-profits and can distract them from focusing on their work and mission.

More importantly, the assumption that you can predict the outcomes of social work using a problem-solution paradigm underestimates the complexity of the issues non-profits face in their work. In the book *Money Well Spent*, the authors go into great detail about how to apply strategy and analysis to ensure the most impact for your money, yet even they concede early on that, "Realistically, one can rarely calculate impact and probability with any degree of precision." Similarly, a recent grant recipient of RSF told us that, in her experience, 70% of the time the outcomes of projects are not what was expected.

In addition, outcomes that are required by foundations can end up shifting the focus and goals of the non-profit's original program. Pre-determined outcomes leave no space for seeing what results would organically emerge from a project. They can also end up controlling the direction the project takes. Having strict goals in a project limits the possibility for experimentation and inspiration, which can have a negative impact on the success of the program. The fear of failure and its potential for compromising funding inhibits non-profits. This self-censorship is one more consequence of "donor control" that doesn't quite trust the grantee.

Ultimately, the assumption that a grant is given in return for specific outcomes turns the relationship into a market exchange, or purchase, rather than a gift. The act of defining outcomes and signing contracts makes the grant a payment for services rendered rather than an act of trust in the organization's work. In their modern form of "investment" it appears that most grants are not actually gifts after all.

## GIFT VS. PURCHASE—WHAT IS LOST FOR PHILANTHROPY?

In a commodities exchange, two people are exchanging goods to meet their individual needs. In a gift relationship there is a different dynamic present. When a gift is made with no expectations, the giver has to put their faith in the receiver and the community; it is an act of trust. In his book, *The Gift*, Hyde explains that, “It is the cardinal difference between gift and commodity exchange that a gift establishes a feeling-bond between two people, while the sale of a commodity leaves no necessary connection. Because of the bonding power of gifts and the detached nature of commodity exchange, gifts have become associated with community and with being obliged to others, while commodities are associated with alienation and freedom.” Gifts create trust, relationships, and build community. When a grant is treated like a purchase transaction there is no necessary relationship built between the donor and the grantee.

The effect of the grantor controlling the flow of money and the contractual relationship of the grantor/grantee is that it creates relationships of bad faith. The wish to retain control of something usually indicates that there is uncertainty about what will happen once it is let go. Hyde explains that “Bad faith... is the confidence that there is corruption. Out of bad faith comes a longing for control, for the law and the police. Bad faith suspects that the gift will not come back, that things won’t work out, that there is a scarcity so great in the world that it will devour whatever gifts appear.” From this it follows that the act of controlling grant money creates a relationship between the grantor and grantee set in the context of scarcity and fear. It is this context that makes trust and relationship building free of power dynamics challenging in the current philanthropic paradigm. In a purchase transaction the person buying the commodity is defining what it is they need, they are able to choose what they want. The buyer is negotiating what they are willing to receive in exchange. The goods and services are finite. In comparison, a gift allows the receiver to be free to create something in the world based on her or his own intuition. It allows for experimentation and innovation, with infinite results. This is another important aspect of gift money—the possibility of innovation, experimentation, and personal growth.

Much of RSF’s work is framed around Steiner’s theories on economic systems. In Rudolf Steiner’s *World Economy* lectures he discusses the importance of the free gift, “What are the most productive transformations of Capital in the economic process? Follow out such connections ... those amounts of capital which go into foundations, scholarships and so on, which in due course fertilize inner creativity and enterprise of every kind—and you will perceive that free gifts are the most fruitful thing of all in the whole economic process.” Gift is the form of money that most allows for innovation and builds community. It is also the form of money that flows to where needs are in the community. That gift money has shifted to the characteristics of purchase money consequently leaves out this very important and productive form of money in our economic system.

### Transforming Philanthropy

As the philanthropic world evolves it will be important to take into account these fundamental unexamined assumptions. How can philanthropy transform from a field based on fear and scarcity into one of trust and circulation, of “power with” rather than “power over”? Could we imagine that the philanthropic wealth is not owned

by the grantors, but rather belongs to the world? Could giving be done in a way that builds social faith and trust, rather than fosters competition? Shared Gifting, as RSF has come to practice it, has shown itself to be a model for grant making that builds good faith, social fabrics and meets the philanthropic world where it is. It also provides a way to tap back into the deepest roots of gift culture, some of which were sacrificed in the industrial age.

## ABOUT THE AUTHOR



Kelley Buhles has had the pleasure of working at RSF Social Finance in Philanthropic Services since 2005. RSF Social Finance is a financial services organization dedicated to transforming the way the world works with money. RSF offers investing, lending, and giving services that generate positive social and environmental impact while fostering community and collaboration among participants. Kelley manages the Philanthropic Services department at RSF which includes Donor Advised Funds and grant making programs. In 2010, Kelley developed and launched the first Shared Gifting Fund in the field of Food & Agriculture.

She has also served as the Vice President of the board of the Haight Ashbury Food Program, acted as coordinator for the Bay Area Fair Trade Coalition, and directed an interactive art theme camp at Burning Man. She graduated from San Diego State University with a degree in anthropology. Originally from the Bay Area, Kelley currently resides in the Mission district of San Francisco where she enjoys creating art and comedy writing.