May 2024

A Brief Glossary of Philanthropy Terms

Philea
Key terms and definitions

**Charity vs. philanthropy:** While both involve giving resources, such as money, time or expertise, for the greater good, charity often refers to direct assistance or support given to meet immediate needs, such as providing food or shelter. Philanthropy, on the other hand, requires a broader, longer-term and more strategic approach, focusing on addressing the root causes of societal issues and creating lasting impact through activities such as grantmaking, research and policy advocacy. While charitable traditions have existed across various European communities for centuries, the emergence of strategic philanthropy marked a notable development during the late 19th and early 20th centuries, driven by the growing recognition of the importance of research, education, and evidence-based approaches and scientific rigor in dealing with societal challenges.

**Individual vs institutional philanthropy:** Philanthropy encompasses both individual acts of giving and the organised efforts of institutional philanthropy. Individual philanthropists may channel their giving directly through donor-advised funds, impact investing networks, giving circles, crowdfunding platforms, and family offices, among other means, while institutional philanthropy is primarily executed through foundations. Defining features of institutional philanthropy in Europe include its structured approach, strategic grantmaking, diverse funding mechanisms, emphasis on collaboration, independence, long-term perspective, and a strong focus on evidence-based approaches, ensuring that initiatives are supported by rigorous research and evaluation. When European philanthropy practitioners use the term “philanthropy”, they commonly refer to institutional philanthropy.

**Foundations:** The realm of foundations encompasses a wide spectrum, marked by diverse governance models, sources of assets, strategic foci, and engagement strategies, all of which contribute to their distinctive role in the landscape of philanthropy. Among these, operating foundations, engaged in executing their own activities, and grantmaking foundations, focused on disbursing funds to non-profit initiatives aligned with their mission, represent two key distinctions. It’s common to find foundations that engage in both grantmaking and operating their own programmes, blurring these categories. There is no flat spending requirement as is the case in the US with the requirement that foundations annually spend 5% of the value of their assets.
Foundations can further manifest as family foundations, corporate foundations, those with origins in the banking sector, community foundations, enterprise foundations, and public or private foundations, among other categories, each with their own distinct characteristics and motivations. While legal distinctions between these forms may not exist in some countries, they nevertheless shape the identity of foundations within philanthropy.

Foundations often manage endowments or assets, providing them with the financial capacity to fulfil their philanthropic missions. While endowments are common, some foundation laws may not necessitate such reserves of capital. Moreover, in certain countries, tax incentives are in place to encourage foundations to contribute to the public good. In Europe, foundation regulations vary, shaping their operations, governance, and accountability. Self-regulation through codes of conduct is also emerging, promoting transparency and responsible practices beyond legal requirements.

**Non-profits:** Non-profits are organisations that operate with a primary goal of serving a social or public purpose rather than generating or distributing profit. Non-profits encompass a wide range of entities, including associations, social enterprises and foundations. It's important to note that the term "non-profit" is broader than "NGO" and can also include philanthropic organisations.

**NGOs (Non-Governmental Organizations) / Grantees:** NGOs are private, non-profit organisations operating independently of government control, with a primary focus on various societal causes. They often work to address issues directly through projects and programmes. On the other hand, grantmaking foundations provide financial support to NGOs and other initiatives, enabling them to carry out specific projects or programmes aligned with their philanthropic goals. Grantees, in this context, are the recipient organisations that receive funding from foundations or other entities to implement these projects or programmes.

When considering operating foundations and NGOs, the distinction between the two may not always be straightforward. Operating foundations, in contrast to NGOs, often leverage their resources to directly execute activities and initiatives while NGOs rely on funding from diverse sources. Foundations typically consist of a smaller group of trustees or board members, whereas NGOs (which often take the form of association) adopt a broader accountability framework. Alongside their board of directors or trustees, NGOs often include a membership base or a general assembly comprising stakeholders who share a vested interest in the organisation's undertakings.
**Association:** While the term NGO is a label used to describe a wide range of non-profit initiatives that operate outside of government control, associations refer to a specific legal form where individuals or groups come together for a common purpose. Associations are often established to serve the interests of a particular profession, industry or interest group. A defining feature of associations is their membership structure, wherein individuals or entities join to collectively pursue common goals and activities.

**Civil society:** Civil society encompasses a broad range of organisations, groups and movements that exist outside of government and the private sector. It includes foundations, associations, civic groups and other entities that work collectively to address social, cultural, political and economic issues. Notably, institutional philanthropy is a significant component of civil society, contributing to its multifaceted efforts and impact.

**CSR (Corporate Social Responsibility):** CSR refers to a company’s commitment to integrating ethical, social and environmental considerations into its business operations. It involves initiatives that go beyond profit-making and contribute to positive social and environmental impacts. While both CSR and corporate philanthropy involve corporate initiatives for social good, corporate philanthropy primarily focuses on charitable donations and contributions to NGOs, whereas CSR encompasses a broader commitment to ethical and sustainable business practices that create a positive impact on society and the environment. Companies in Europe engage in philanthropy through corporate giving programmes, or by establishing their own foundations, and, in certain cases, may even be owned by foundations, further blurring the lines between corporate impact and philanthropic endeavours.

**PPPs (Public-Private Partnerships):** PPPs are collaborations between public sector entities and private actors, including philanthropic foundations, driven by a shared goal of addressing complex societal challenges that require diverse expertise and resources. Although it is not a completely new concept, PPPs in Europe have recently gained momentum as collaborative initiatives in the face of many ongoing and interdependent crises. Philanthropic foundations are increasingly recognising the potential of PPPs to amplify their impact and contribute to sustainable and innovative solutions.