

CIRCLE

A glossary of philanthropic terms



Introduction

Do you find language used by people working in the philanthropy and nonprofit space confusing? Do you really know what a Theory of Change is? What is the true definition of an impact investment? And are you intimidated by all the acronyms?

This list, produced by the [Charities Aid Foundation \(CAF\)](#), is a good starting point for understanding some of the sector's niche terms and overcoming confusing explanations and contradictory advice relating to impact practice.



List of terms

Charity	A nonprofit organisation whose main goal is to improve social or environmental welfare.
Community led/grassroots philanthropy	Community led/grassroots philanthropy is initiated from within and acts for the benefit of the community.
Cost-effective	Refers to a way in which something is effective or productive in relation to its cost. For charity giving, this often translates to the cost per outcome.
Counterfactual	The difference between the change a programme has made and would have happened anyway. For example, people in a given area may be getting healthier, but what percentage is attributed to the project?
Decolonising approach	This refers to shifting the power from actors and narratives in the global north to those nations in the global south and/or other exploited groups.
Direct level work	Direct work can be described as interventions that deliver benefits, goods, and/or services to a specific group of beneficiaries. Examples can include supplying free breakfast clubs or malaria nets.



List of terms

Donor	A person or organisation who decides to donate something, particularly to charity.
Effective altruism	A philosophical and social movement that uses utilitarian principles to prioritise cause areas and interventions and takes a data-focused approach to comparing giving decisions. People who pursue the goals of effective altruism are labelled effective altruists.
Effective	A charity's ability to make a difference by achieving its intended outcomes from an activity.
ESG	ESG stands for Environmental, Social, and Governance factors. The acronym is often used in sustainable and ethical investment strategies. It may also include setting exclusion criteria for investment to avoid investing in companies involved in specific industries (e.g. tobacco or fossil fuels).
Evidence	Independently assessed proof that a programme or intervention works in its intended way.
Evidence-based	Programmes which have been assessed (ideally independently) to establish that they achieve the desired outcomes.



List of terms (cont'd)

Giving circle	Collective decision-making set-up for grantmaking. A giving circle is a group of people with shared goals or interests that collectively discuss and decide where to make a pooled gift. Giving circles may also build awareness, volunteer, become board members and more.
Grantee	A person or entity that receives a grant.
Impact	The achievements of a charity/programme. This can be measured in various ways.
Impact investment	An investment designed to deliberately generate both a positive financial and social return.
Impact report	A report that explains the counterfactual result of a programme or charity. It usually has facts and figures to demonstrate the difference a programme has made and case studies of success. Some impact reports may also include examples of projects that haven't worked so well.
Impact spectrum	Mapped against financial investments to show how much social return is possible with each type of financial investment. It usually ranges from investment for purely financial return, to a donation.



List of terms (cont'd)

Inputs	Resources that go into developing a programme e.g. time and money.
Intersectional philanthropy	Intersectionality considers multiple types of vulnerabilities that people experience and incorporates lived experience of beneficiaries into programme design.
Monitoring & Evaluation	Capturing and evaluating qualitative and quantitative data on programmes to understand if outputs have led to outcomes.
Neglectedness	A cause area that receives less funding, attention, and/or research relative to the scale of problem. One example is animal welfare; many donors support sanctuaries or rescue centres, rather than factory farming which affects billions of animals and arguably causes greater suffering.
Outcomes	The added value or change created as a result of a programme e.g. a reduction in child deaths, due to increased rate of infant vaccination.
Outputs	The specific result of a programme e.g. how many vaccines were distributed.



List of terms (cont'd)

Overhead costs	Administration and other costs unrelated to the direct cost of the programme. This is what a charity needs to carry out its work. It may include salaries, or monitoring and evaluation.
Participatory grantmaking	The practice of ceding grantmaking power to affected community members and constituencies. In practice, it means placing affected communities at the centre of grantmaking by giving them the power to decide who and what to fund.
Philanthropic leverage	Achieving more, or maximising the impact of your contributions, with the same donation value. This is usually achieved by influencing the ways others fund or tackle social issues/good causes.
Philanthropic risk	The certainty of achieving a result or impact. In other words, if you support the pilot of a new initiative, it would be considered higher risk as it has not been tested before. If you are supporting a well evidenced approach, it would be considered lower risk. Certain categories of philanthropy activity are inherently risky, e.g. advocacy and systems change. These activities, however, often offer potentially higher rewards, due to the opportunities for leverage.
Restricted funding	A donation that is limited for use in a specific programme or project by the donor. This is a strict definition, governed by charity accounting rules.



List of terms (cont'd)

Scale-up	Expanding a programme to a larger geographic area or among a bigger group of beneficiaries. For example, making a regional pilot programme national.
Social enterprise	A forprofit organisation whose main goal is promoting social or environmental welfare rather than making or maximising profits. In some jurisdictions, this may include limited companies, community interest companies and other structures.
Social investment	Supporting charities or social enterprises with repayable finance. Social investment generally includes interest, but the aim is to recycle the philanthropic funds, rather than to generate meaningful financial returns.
Social return on investment	A methodology used to measure how much social value your capital is worth and a way to evaluate its impact.
Sustainable Development Goals (SDGs)	A collection of 17 internationally agreed goals to achieve a better and more sustainable future for people and the planet. They are also called the Global Goals and often referred to as the SDGs.



List of terms (cont'd)

Systems level work (also known as systems change)	The attempt to make structural changes to societal systems, to create wide reaching benefits, for example influencing government policy on issues such as healthcare.
Theory of change	The strategy employed by a charity, linking inputs all the way to impact, like a roadmap for positive change.
Unrestricted funding	A donation that may be allocated at the discretion of the charity.
Venture philanthropy	A type of social impact investment that takes concepts and techniques from venture capital finance and business management and applies them to achieving philanthropic goals. Venture philanthropy includes loans, grants and a hybrid approach and may also include advisory support from donors for charities.



This content was originally published by [Charities Aid Foundation \(CAF\)](#). Charities Aid Foundation partners with companies and private donors to realise greater impact with their giving.

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