The Role of Grant-making Foundations in the Age of “New Frontier of Philanthropy”

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INTRODUCTION

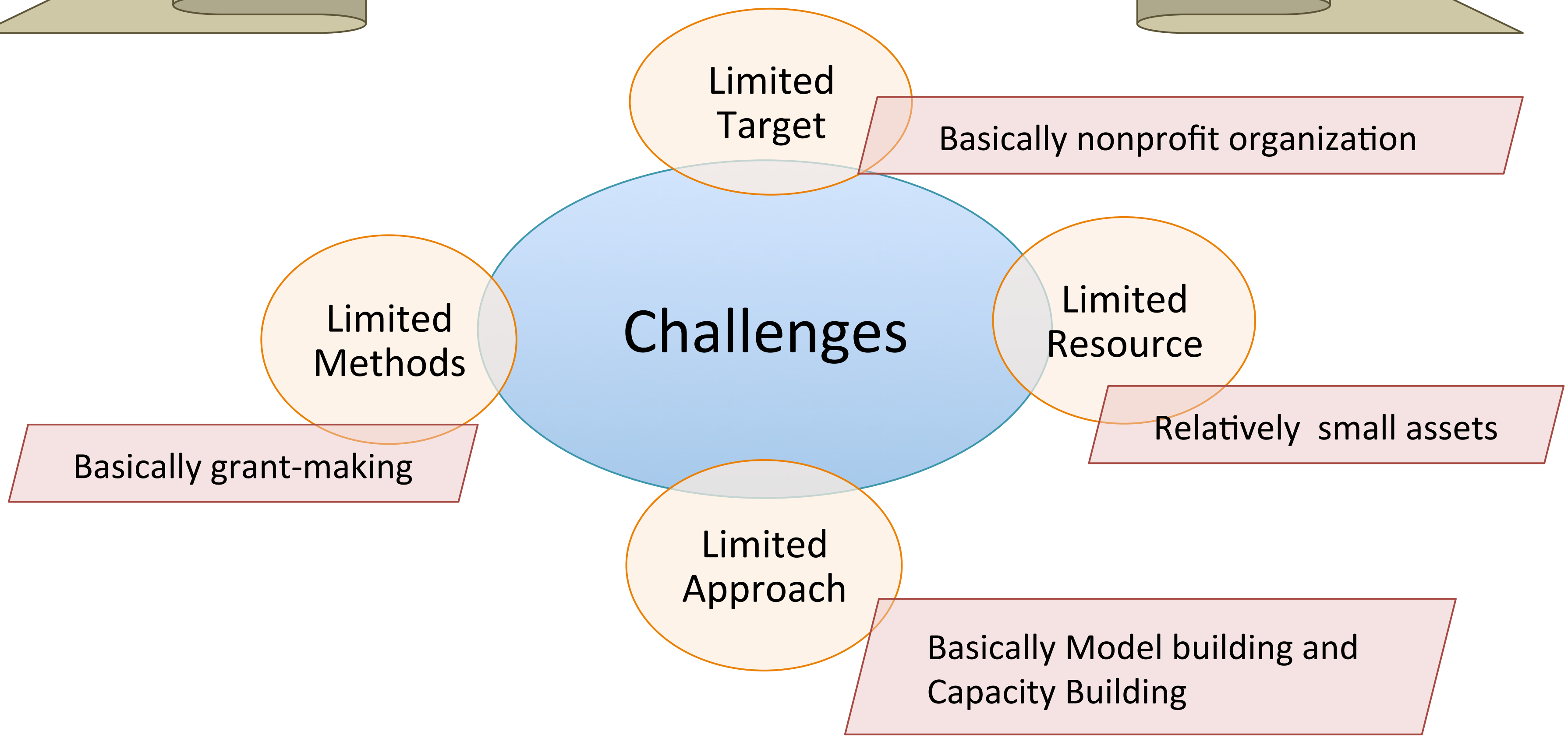
"New Frontier of Philanthropy"

The mobilization of private resources towards social and environmental objectives.

	Traditional Philanthropy	New Frontier of Philanthropy
Funder	Foundations Philanthropists	Impact Investors Bankers Corporations, CDFIs
Method	Grant-making Donation	Impact investing, Microfinance Community development finance Corporate social engagement
Target	Nonprofit Organization	Social entrepreneurs Microfinance institutions Community Development Corporations

Challenges for grant-making foundations

How can grant-making foundations overcome these challenges and adapt themselves to the era of "New Frontier of Philanthropy"?

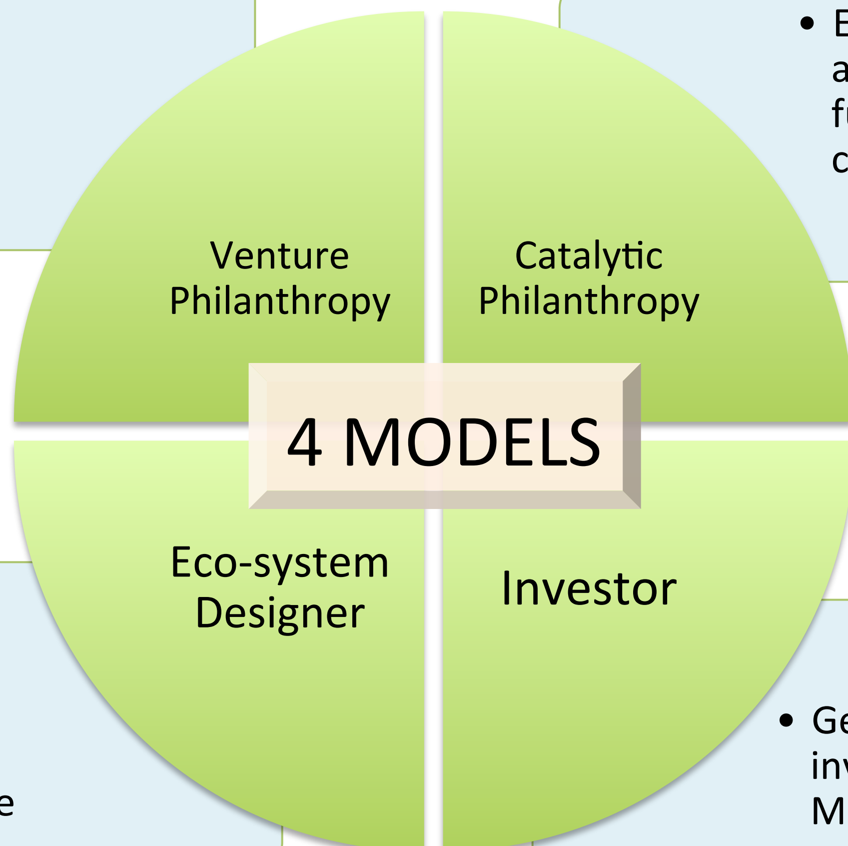


Possible solutions

Develop existing tools to respond new actors, methods and needs of "New Frontier of Philanthropy"

- Support social enterprises through venture philanthropy

- Engage various sectors and utilize mixed-funding through catalytic philanthropy



- Establish a new eco-system that enables social impact investment to become sustainable

- Get involved in social investment through PRI, MRI and SRI

MODEL 1:
“VENTURE PHILANTHROPY”

“Venture Philanthropy” Model

“Venture Philanthropy” is a model that try to support social enterprises by providing them with both financial and non-financial support to increase their social impact.

	Traditional Philanthropy	Venture Philanthropy
Target	NPOs	Social Enterprises
Support Schemes	Short-term Grant-making	Long-term Grant-making Non-financial Support Social Investment
Basic Concept	Best Practice Model Building	Capacity Building Scale-up

Examples of Venture Philanthropy

Mulago Foundation	• Private Foundation • NPOs • Unrestricted Grants + Capacity Building Supports
REDF	• Public Charity • Social Enterprises (NPOs only) • Unrestricted Grants + Restricted Grants + Capacity Building Supports
Skoll Foundation	• Private Foundation • Social Enterprises (NPOs + For-profit organizations) • Unrestricted Grants + PRIs (loan, equity investments and guarantees) + MRIs
Omidyar Network	• Private Foundation + Investment Firm (LLC) • Social Enterprises (NPOs + For-profit organizations) • Grants + PRIs + Venture Capital, Debt + Capacity Building Supports

For the development of "Venture Philanthropy" model

Venture Philanthropy has now been accepted as one of grant-making model. However, it needs professional skills and commitment. Standardization is key for its further development

Networking
- Social Venture Partners (SVP)
- Social Venture Network (SVN)

Standardize Tools
- Due Diligence
- Measurement (SROI)

Develop infrastructures
- Venture Philanthropy Partners
- New Legal Status (B-Corp, LC3)

More Venture Philanthropy

MODEL 2:
"CATALYTIC PHILANTHROPY"

"Catalytic Philanthropy" Model

"Catalytic Philanthropy" is a model that try to catalyze collaboration among various sectors, and promote mixed-funding for social impact.

	Traditional Philanthropy	Catalytic Philanthropy
Target	NPOs	NPOs, Social Enterprises, Community Development Corporations
Support Schemes	Short-term Grant-making Stand alone support	Long-term Grant-making Collaborative support Mixed Funding
Basic Concept	Best Practice Model Building	Social Impact through collaboration

Examples of Catalytic Philanthropy

National Community Development Initiative (NCDI)	• Coalition of private foundations and financial corporations established in 1991 • Foundations made grants for general operation, projects or capacity building • Financial Institutions made loans for development activities • Two intermediaries: Local Initiative Support Corporation (LISC) and Enterprise Foundation
Living Cities	• Coalition of private foundations and financial corporations on the basis of NCDI • Foundations made grants and PRIs in alignment with loans. They also established Catalyst Fund • Financial Institutions made loans for development activities • No intermediaries, but coalition's own secretariat with Catalyst Fund
Cleveland University Circle Community Wealth Building Initiative	• Coalition of City of Cleveland, State of Ohio, the University Hospital, National Development Council, and so on, coordinated by Cleveland Foundation • Funded partly by Living Cities, and partly by coalition members • Managed Greater University Circle leadership committee. • Current Projects: the Evergreen Cooperative Initiatives, the Health Tech Corridor initiative, and Greater Circle Living Initiative.

Evolution of grant-making

Traditional Philanthropy	Venture Philanthropy	Catalytic Philanthropy
Grant-making	Grant-making Capacity Building Impact Investing	Grant-making Capacity building Impact Investing Mixed Funding
Nonprofit	Nonprofit Social Enterprise	Non profit Social Enterprise CDCs, Financial Intermediaries
Model building through project support	Scale-up through capacity building	Social impact through cross sector collaboration

MODEL 3:
“ECOSYSTEM DESIGNER”

"Eco-system Designer" Model

Rockefeller Foundation Launched a new initiative "Harness the Power of Impact Investing" in 2007 to develop impact investing industry. This is an effort to design "eco-system".

New Market

- Singapore Impact Investment Exchange Asia
- Kenya Social Investment Exchange

New funding scheme

- Impact Assets (donor advised fund + Impact investing)
- Nonprofit Finance Fund's Sustainable Enhancement Grant (SEGUE)

Pioneering Model

- Support the establishment of Acumen Fund (2001)

Policy Research

- Harvard Impact Investing Policy Collaborative
- J. P. Morgan's research,
- Monitor Institute

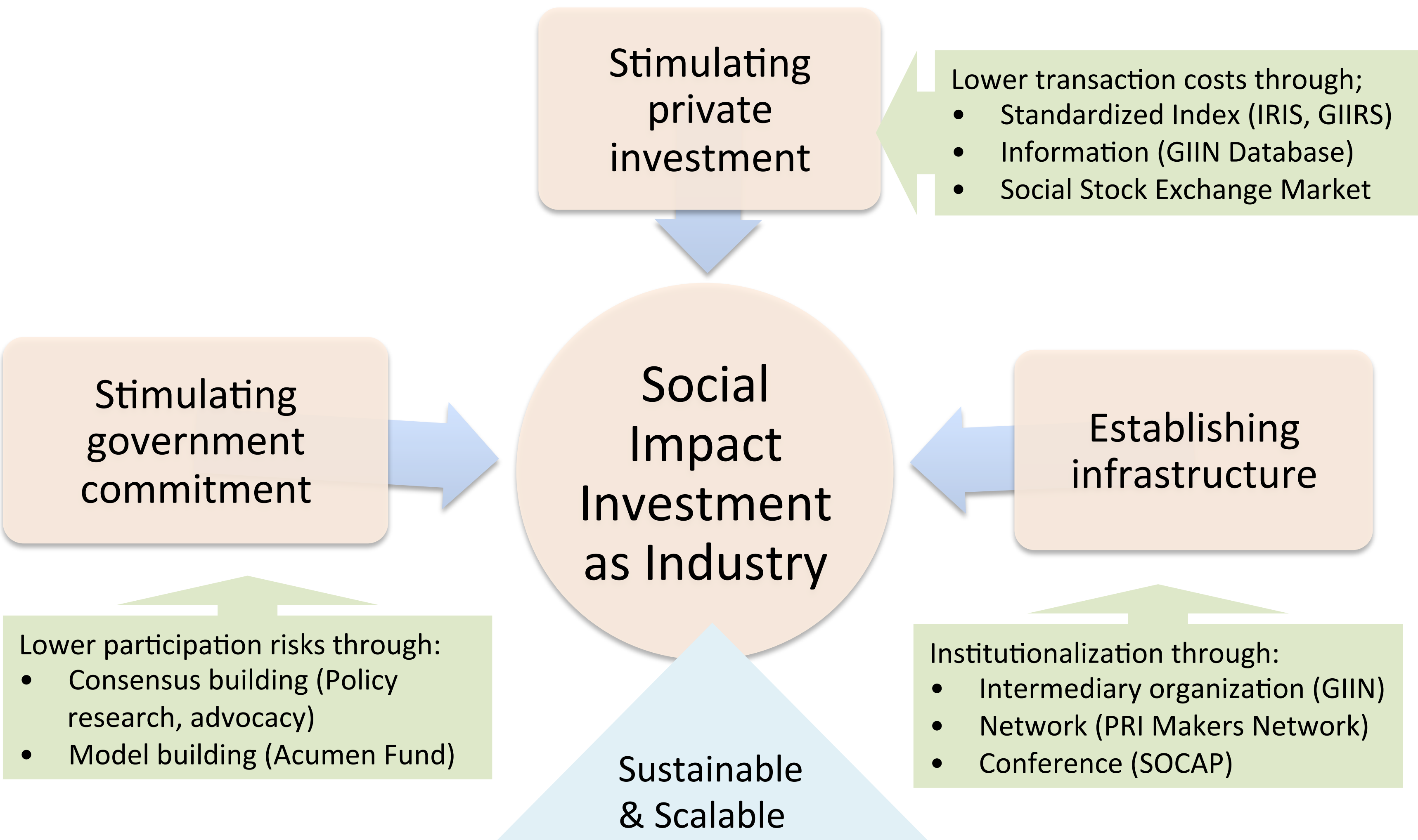
Standardized Index

- GIIRS (Global Impact Investing Rating Systems)
- IRIS (Impact Reporting and Investment Standards)

Networking / Intermediaries

- GIIN (Global Impact Investing Network)
- SOCAP (Social Capital Markets Conference)

"Logic model" of Rockefeller's approach



MODEL 4:
“INVESTOR”

“Investor” model

Strategically using foundations’ assets as investment tools for furthering their missions and social goods.

Program Related Investment (PRI)	• Alignment with mission • Below Commercial rates • No politics • Authorization by IRS is needed + Counted within 5% payouts
Mission Related Investment (MRI)	• Furthering a foundation’s mission • Recovering the principal invested or earning financial returns (Market rates / Below market-rates) • No authorization is needed from IRS
Socially Responsible Investment (SRI)	• Furthering social goods • Getting financial return (Market rates / Below market-rates) • Pro-active model can include impact investing, shareholder advocacy and community investing

For the future development of "Investors" model

Still MRI is small ($889.2 million). If US foundations utilize 1% of their assets ($590.2 billion) to social impact investment, the size of the industry ($4.37 billion) will be more than doubled.

Reduce risks and transition costs

- Reliable Index (SROI, GIIRS, IRIS)
- Social Stock Exchange Market

Develop incentive policy

- IRS guideline for PRI
- Ease Fiduciary rules

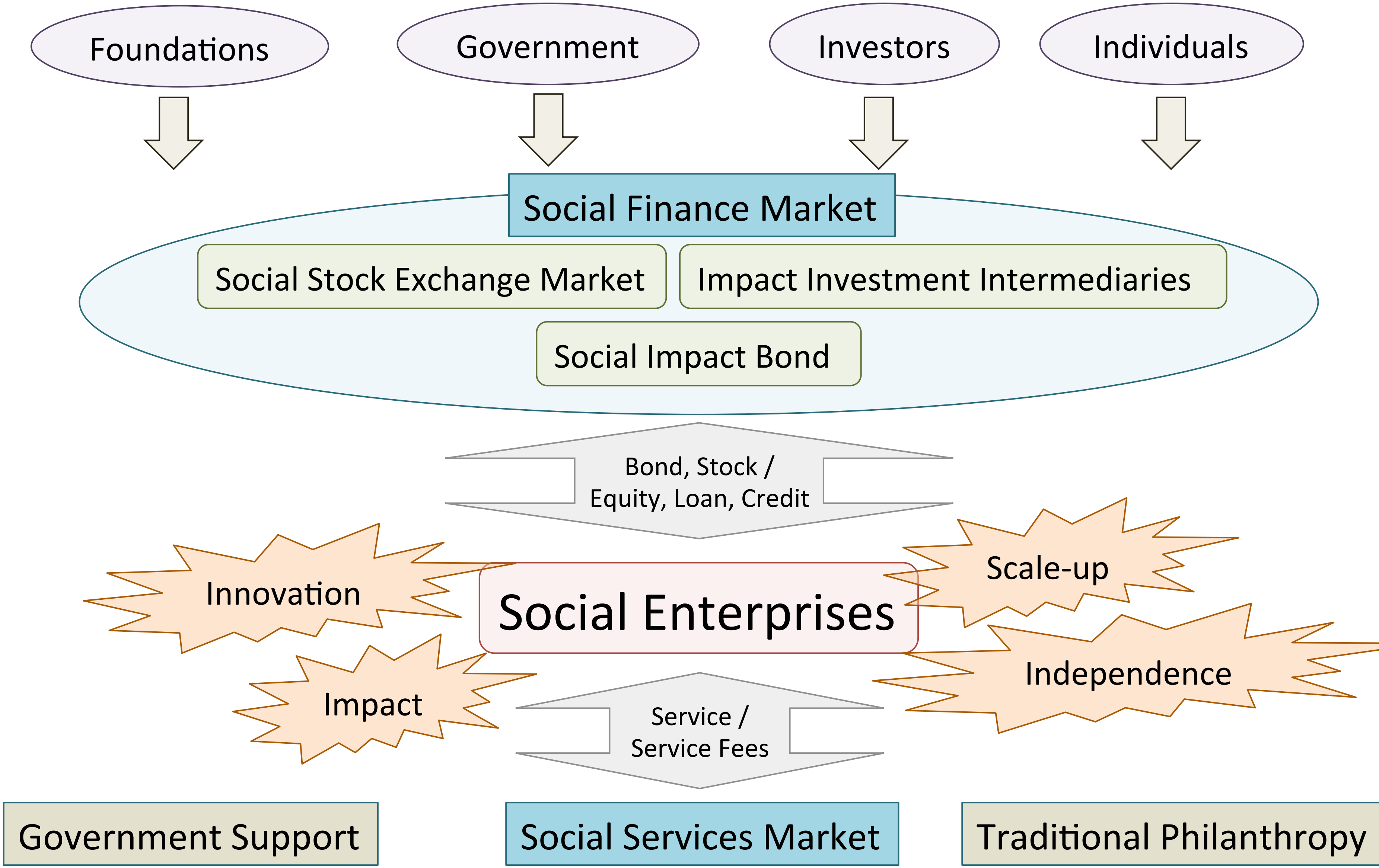
Develop infrastructures

- Intermediary Organizations
- Impact Investing Networks

More Social Impact Investments

CONCLUSION

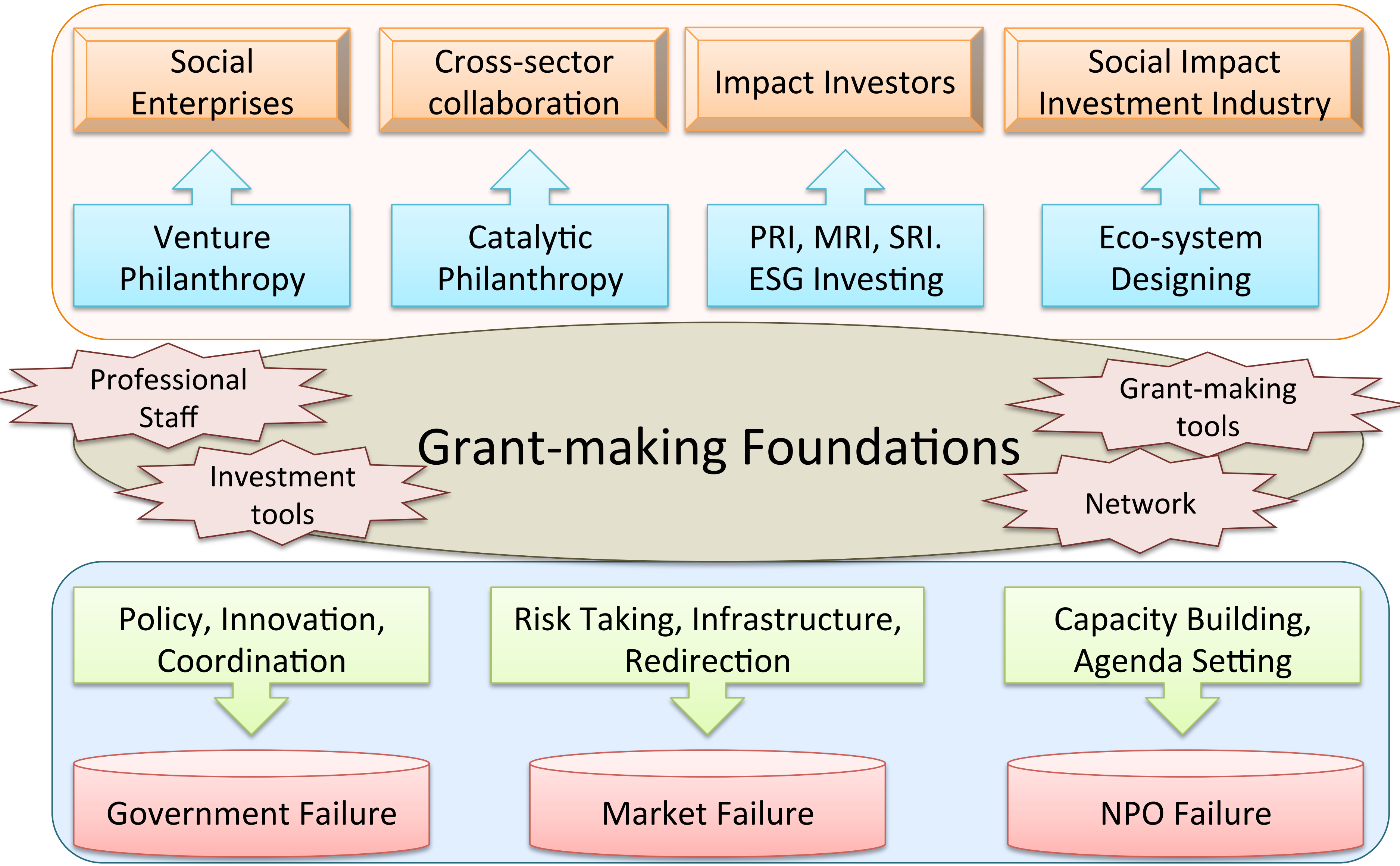
The new landscape of social financing



Paradigm shift in the relationship

Traditional/ Venture Philanthropy	Catalytic Philanthropy	New Frontier of Philanthropy
Bilateral relationship	Multilateral relationship through coalition	Multilateral relationship through market
Patronage/ Partnership relationship	Collaborative relationship	Independent investor / entrepreneur relationship
Supply-based approach	Collaborative, but still supply-based approach	Demand-based approach

Unique roles of grant-making foundations in the age of "New Frontier of Philanthropy"



Thank you!

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