New Frontiers of Philanthropy: THE REVOLUTION IN SOCIAL PURPOSE FINANCE

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Johns Hopkins University

Luxembourg EU Presidency Conference
3 December 2015
PHILANTHROPY’S BIG BANG

Beyond grants
Beyond bequests
Beyond foundations
Beyond cash

THE REVOLUTION IN SOCIAL PURPOSE FINANCE

**NEW FRONTIERS OF PHILANTHROPY PARADIGM**

**PHILANTHROPY**

The mobilization of private resources for social and environmental purposes

<table>
<thead>
<tr>
<th>TRADITIONAL PHILANTHROPY</th>
<th>NEW FRONTIERS OF PHILANTHROPY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundations, Individuals</td>
<td>Multiple Investment funds</td>
</tr>
<tr>
<td>Operating income</td>
<td>Investment capital</td>
</tr>
<tr>
<td>Grants</td>
<td>Diverse financial instruments/capital tranches</td>
</tr>
<tr>
<td>Nonprofits</td>
<td>Social ventures</td>
</tr>
<tr>
<td>Social return</td>
<td>Social + financial return</td>
</tr>
<tr>
<td>Limited leverage</td>
<td>Expanded leverage</td>
</tr>
<tr>
<td>Output Focus</td>
<td>Outcome focus/ metrics</td>
</tr>
</tbody>
</table>

NEW FRONTIERS OF PHILANTHROPY ECOSYSTEM

NEW SOURCES OF FUNDS

NEW ACTORS

NEW TOOLS

NEW AGENTS

BENEFICIARIES

WHY?

DEMAND FACTORS:
• The New Inferno
• Tapped-out Government and Charity
• Rise of Social Entrepreneurs

SUPPLY FACTORS:
• Early Responders
• New Concepts: Fortune at the Bottom of the Pyramid
• New Players/ New Mindsets: Philanthrocapitalists
• Financial crisis and tepid capital markets
• Infrastructure
• Technology

IS YOUR FOUNDATION READY FOR THE NEW FRONTIERS OF PHILANTHROPY?

“…the definitive chronicle of the innovations that are infusing new life into the well-intentioned but often-staid world of philanthropy.”

~ Mario Marino, Venture Philanthropy Partners

“…a roadmap to the significant revolution underway …in the worlds of philanthropy and social investment.”

Available now at amzn.to/1qeAXp3 or oup.com.
An accessible overview of the new actors and tools reshaping philanthropy and social investment with recommendations for overcoming the challenges they still face.

~ Rip Rapson, Kresge Foundation

Available now at [amzn.to/1hlvPhu](http://amzn.to/1hlvPhu) or [oup.com](http://oup.com).
TYPES OF ACTORS

- Capital Aggregators
- Secondary Markets
- Social Stock Exchanges
- Foundations as Philanthropic Banks
- Quasi-Public Investment Funds
- Enterprise Brokers
- Capacity Builders
- Online Portals
- Corp-Originated Charitable Funds
- Conversion Foundations
- Funding Collaboratives
- Foundations as Philanthropic Banks
- Corp-Originated Charitable Funds
- Online Portals
- Capacity Builders
- Enterprise Brokers

TYPES OF TOOLS

- Loans / Credit Enhancements
- Bonds
- Securitization
- Equity Investments
- Social Impact Bonds
- Insurance
- Social Investing & Purchasing
- Prizes, Crowd-sourcing

ACTORS/TOOLS

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  - Enterprise Brokers
  - Capacity Builders

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- Funding Collaboratives

### ACTORS/TOOLS

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<tr>
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<tr>
<td>Enterprise Brokers</td>
<td>Capacity Builders</td>
<td>Online Portals</td>
<td>Corp-Originated Charitable Funds</td>
<td>Conversion Foundations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Funding Collaboratives</td>
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Break down “Chinese Wall” between investment/program

Tap asset base for mission

Beyond grants—alternative tools

Beyond PRIs
ACTORS/TOOLS

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PHILANTHROPICATION THRU PRIVATIZATION (PTP)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>FOUNDATIONS</th>
<th>NUMBER</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td></td>
<td>33</td>
<td>6.1%</td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td>1</td>
<td>0.2%</td>
</tr>
<tr>
<td>Brazil</td>
<td></td>
<td>3</td>
<td>0.6%</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td>1</td>
<td>0.2%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td></td>
<td>73</td>
<td>13.5%</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td>29</td>
<td>5.4%</td>
</tr>
<tr>
<td>Hungary</td>
<td></td>
<td>1</td>
<td>0.2%</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td>103</td>
<td>19.1%</td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td>1</td>
<td>0.2%</td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td>36</td>
<td>6.7%</td>
</tr>
<tr>
<td>Norway</td>
<td></td>
<td>4</td>
<td>0.7%</td>
</tr>
<tr>
<td>Poland</td>
<td></td>
<td>4</td>
<td>0.7%</td>
</tr>
<tr>
<td>Slovakia</td>
<td></td>
<td>2</td>
<td>0.4%</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td>35</td>
<td>6.5%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td></td>
<td>9</td>
<td>1.7%</td>
</tr>
<tr>
<td>United States</td>
<td></td>
<td>199</td>
<td>36.9%</td>
</tr>
<tr>
<td>Other*</td>
<td></td>
<td>5</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Total cases: 539

Total assets: US$135bn / €102bn

*Assets not available for some foundations

**Includes Bolivia, Chile, Morocco, Peru, and Uruguay

5 TYPES OF PTP ACTIONS

ASSET CAN TAKE ANY OF 5 FORMS

I. State-owned enterprise
II. Other state-owned asset
III. Flow of proceeds owed to state
IV. Debt swap
V. Quasi-govt’l organization (e.g. nonprofit)
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## Types of Tools

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<th>Equity Investments</th>
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<tr>
<td><strong>Micro Insurance</strong></td>
<td>Social Impact Bonds</td>
<td>Social Investing &amp; Purchasing</td>
<td>Prizes, Crowd-sourcing</td>
</tr>
</tbody>
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TYPES OF TOOLS

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- Securitization
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- Micro-Insurance
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REMAINING OBSTACLES

- No good deed goes unpunished
- The social-impact measurement conundrum
- Still a boutique business
- The pesky issue of deal flow
- Getting beyond comforting assumptions
NEXT STEPS

- VISUALIZE
- PUBLICIZE
- INCENTIVIZE
- CAPACITIZE
- ACTUALIZE

IMPLICATIONS FOR FOUNDATIONS & GOVERNMENTS

✓ NEW PARTNERS
✓ NEW FINANCIAL MECHANISMS
✓ NEW SKILL REQUIREMENTS
✓ NEW AUTHORITIES?

ARE YOU READY FOR
THE NEW FRONTIERS OF PHILANTHROPY?

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oup.com