New Frontiers of Philanthropy: THE REVOLUTION IN SOCIAL PURPOSE FINANCE

Dr. Lester M. Salamon
Johns Hopkins University
PHILANTHROPY’S BIG BANG

Beyond grants
Beyond bequests
Beyond foundations
Beyond cash

LEVERAGE

# 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.”

IS YOUR FOUNDATION READY FOR THE NEW FRONTIERS OF PHILANTHROPY?

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 bit.ly/LfGSalamon or 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

TYPES OF TOOLS

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

ACTORS/TOOLS

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Secondary Markets

Types of Actors
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### ACTORS/TOOLS

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<th>Foundations as Phil. Banks</th>
<th>Quasi-Public Investment Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Brokers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Builders</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Online Portals</td>
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<tr>
<td>Corp-Originated Charitable Funds</td>
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<tr>
<td>Conversion Foundations</td>
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<tr>
<td>Funding Collaboratives</td>
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</tr>
</tbody>
</table>

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)

Total cases: **539**

Total assets: **US$135bn / €102bn**

*Assets not available for some foundations*

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


Available at: [bit.ly/PtPSalamon](http://bit.ly/PtPSalamon).

<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>
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<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>
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<tr>
<td>Netherlands</td>
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<tr>
<td>New Zealand</td>
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<td>36</td>
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<tr>
<td>Norway</td>
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<tr>
<td>Poland</td>
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<td>4</td>
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<tr>
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<td>2</td>
<td>0.4%</td>
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<tr>
<td>Sweden</td>
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<td>35</td>
<td>6.5%</td>
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<tr>
<td>United Kingdom</td>
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<td>9</td>
<td>1.7%</td>
</tr>
<tr>
<td>United States</td>
<td></td>
<td>199</td>
<td>36.9%</td>
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<tr>
<td>Other*</td>
<td></td>
<td>5</td>
<td>0.9%</td>
</tr>
</tbody>
</table>
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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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

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