NEW FRONTIERS OF PHILANTHROPY:
The Revolution in Social Purpose Finance

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THE PROBLEM: PHILANTHROPY THE LAGGING SOURCE FOR SOCIAL PURPOSE FINANCE

- Fees, 50%
- Government, 35%
- Philanthropy, 14%

NONPROFIT SIZE, BY COUNTRY

41-COUNTRY AVERAGE

Percent of economically active population

COUNTRIES WITH LARGEST NPO SECTORS HAVE SMALLEST PHILANTHROPY SHARE OF NPI REVENUE

A SOLUTION: PHILANTHROPY’S “BIG BANG”

Beyond grants
Beyond bequests
Beyond foundations
Beyond cash

PHILANTHROPY =
The mobilization of private resources for social and environmental purposes

<table>
<thead>
<tr>
<th>TRADITIONAL PHILANTHROPY</th>
<th>NEW FRONTIERS OF PHILANTHROPY</th>
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<tbody>
<tr>
<td>Foundations, Individuals</td>
<td>Multiple Investment funds</td>
</tr>
<tr>
<td>Operating income</td>
<td>Investment capital</td>
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<tr>
<td>Grants</td>
<td>Diverse financial instruments/capital tranches</td>
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<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>
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</table>

NEW FRONTIERS IN PHILANTHROPY ECOSYSTEM

NEW SOURCES OF FUNDS

NEW ACTORS

NEW TOOLS

NEW AGENTS

BENEFICIARIES

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

“…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 from Amazon at: bit.ly/NFPSalomon
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 from Amazon at: bit.ly/LfGSSalamon
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Available from Amazon at: bit.ly/NFP_Chinese
Secondary Markets

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

TYPES OF ACTORS

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Break down “Great Wall” between investment/program

Tap asset base for mission

Beyond grants—alternative tools

Beyond PRIs

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ASSET CAN TAKE ANY OF 7 FORMS

I. State-owned enterprise or other assets
II. Flow of royalties from state-regulated firms
III. Debt swaps
IV. Quasi-governmental organizations (e.g. nonprofit)
V. Stolen assets
VI. Penalty-based assets
VII. Dormant assets

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### TYPES OF TOOLS

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

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ACTORS/TOOLS

INVESTOR A  INVESTOR B  INVESTOR C  INVESTOR D  INVESTOR E

Investment / Loan agreement

GOVERNMENT AGENCY

Pay for Success contract

LEAD CONTRACTOR INTERMEDIARY

$ $ Repayment agreement

TYPES OF TOOLS

Loans / Credit Enhancements

Bonds

Securitization

Equity Investments

Micro Insurance

Social Impact Bonds

Social Investing & Purchasing

Prizes, Crowd-sourcing

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?

To purchase:

New Frontiers of Philanthropy
bit.ly/NFP_Chinese

Leverage for Good
bit.ly/LfG_Chinese
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