

Foundations and Social Investment in Europe

Survey Report

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Table of Contents

1.	Introduction	5
2.	What is social investment ?	6
3.	How and why foundations engage	11
4.	Barriers to social investment	16
5.	Challenges and opportunities	18
6.	Future work - areas of potential action to grow the field	21
Annex 1	Examples of practice	23
Annex 2	List of interviewees	27
Annex 3	Social Investment Glossary	28
Annex 4	Selected bibliography	31

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1. Introduction

This report is based on ten telephone interviews with staff from foundations¹ based in Europe. The research focused on foundations with expertise in social investment and sought to reflect a variety of approaches. Commissioned by the European Foundation Centre Social Investment Group, the work was conducted between November 2005 and May 2006.

The main aim of the interviews was to explore current practice, barriers for and motivations to foundations developing social investment programmes. Foundation staff were asked:

- What sort of social investment activity is the foundation engaged in?
- How has it come to develop this activity?
- What motivated it?
- Who advocated the idea (trustees, the CEO, the Finance Director, other staff)?
- What have been the barriers and how have they been overcome?
- What information, advice and support is needed to help foundations engage with this agenda?
- What are the likely future developments and trends?

A draft of this report was discussed at the SIG meeting in Brussels on 16th March 2006. This report seeks to reflect the lively and informative discussion at that meeting.

This work is a companion piece to two other pieces of research commissioned by SIG, which will be published later this year:

- A mapping of foundations engaged in social investment across Europe; and
- Collection of case studies looking in more detail at social investment practice.

This social investment research project demonstrates the diversity of the approaches used by European foundations rooted in their purpose, history, location and source of funds.

¹ The list of foundation that took part in the interviews is provided in Annex 2

2. What is social investment ?

The research started from the premise that social investment is investment which has a social as well as a financial purpose.

It was explained to interviewees that the research covered:

- *Programme related investments (PRI)* - i.e. investments made, generally from income although they can be made from capital, with the primary aim of advancing the foundation's purposes. Typically, although not necessarily, the return from such investments is below market rates.
- *Socially responsible investment (SRI)* - here, investments are made from capital with the primary aim of producing income or appreciation but with positive or negative screens used to help select appropriate investment vehicles. It also includes shareholder action to encourage more responsible business practice.

One form of socially responsible investment uses positive screens to select investments which directly advance the foundation's purposes. This is called investment plus² in this report. It is sometimes, but not consistently, called mission related investment in the US³.

- Grant aid but only when used as a tool enabling social investment.

The terminology used in this report - social investment, programme related investment and socially responsible investment, including investment plus, caused interviewees some difficulties (discussed further in box 1).

² This term was coined for *Foundations and social investment: making money work harder in order to achieve more*, Esmée Fairbairn (2005).

³ However, a survey of the literature of US foundations reveals that the term mission related investment is used with different meanings. Some US foundations use mission related investment as a blanket term to cover both programme related investment and investment plus. Others use the term to describe the range of activity described here as socially responsible investment.

Box 1 Terminology

“Language is important - there's a lack of understanding of the terminology - partly for this reason it took months for the board to approve work in this area”.

The interviews found that the term social investment is not familiar to foundations in continental Europe and is frequently misunderstood. Often social investment is interpreted as socially responsible investment. For this reason some of the foundations that we contacted initially which had well-developed loan guarantee or micro credit programmes said that they had no experience of social investment.

Further, terms such as programme related and mission related investment are regarded as language from the English speaking world. Continental European foundations are familiar with and use the terms: micro credit, loan guarantees or social venturing to describe what in the research was characterised as social investment.

Where the term social investment is recognised, it has a variety of definitions. Some experts interpret social investment as covering a much broader range of activity than the interviews envisaged. For example, some suggest that the key feature of social investment is that it supports projects seeking to achieve systematic change or proposing innovative solutions to social problems. The term could therefore cover forms of grant funding aimed at solving any social, environmental or economic problem (i.e. not just grant aid enabling social investment). For the purposes of the research and more generally for field building this is too broad a definition.

Interviewees agreed that there was a need for further discussion about terminology and classification on the basis that it is difficult to develop dialogue and share good practice without a common understanding of both.

This issue of terminology was discussed at the SIG meeting on 16th March 2006 and it was agreed that the overall framework provided in the diagram below was helpful and it and the terminology contained within it should be used as the basis for this report.

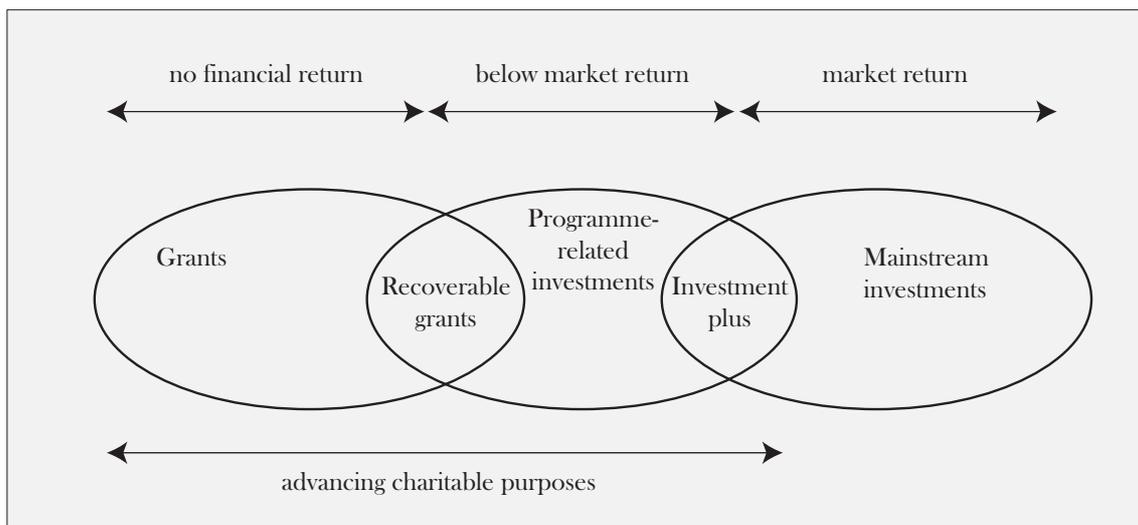
Programme related investment

The term investment in this context covers a range of activity including making loans and taking equity. Some of the key distinctions relevant to programme related investment are:

- the ranking of the lender in the queue of creditors, i.e. whether loans are senior (the lender has first call) or subordinated (other lenders secure their money first);
- the rates of interest levied;
- whether the capital is patient, i.e. whether the loan is offered over an extended period and whether there is a repayment holiday.

Programme related investments can also take the form of loan guarantees and quasi-equity. An example of quasi-equity is a deal in which a percentage royalty is pledged on product sales made possible by the investment.

The key distinction between programme related investment and investment plus (discussed further below) is the motivation for the investment - was it primarily made to advance the purposes of the foundation or generate income for the foundation (see the diagram below).



Notes

1. Mainstream investments may be positively or negatively screened or investors may engage in shareholder action including proxy voting in relation to them. This means that some forms of mainstream investment will have social returns and will count as social investments.
2. Investment plus is placed in the intersection between *programme related investments* and mainstream investments because like *programme related investment* it enables a foundation to advance its charitable purposes and like a mainstream investment it generates a market return.
3. Some *programme related investments*, although the primary motivation for making them is not financial, produce a healthy return comparable to market rates.

Extracted from *Foundations and social investment: making money work harder in order to achieve more*, Esmée Fairbairn (2005)

Socially responsible investment

Socially responsible investment takes a wider variety of forms:

- Negative screening - to avoid socially harmful ways of getting a good return a responsible investment policy is developed and companies which do not match up are excluded;
- Positive screening - socially beneficial ways of getting a good return are sought out and investment is made for example, in companies with responsible business practices or which offer beneficial goods or services;
- Stakeholder action - investors encourage more responsible business practice by voting their proxies and/or making direct contact with companies to influence their practice.

The Foundations interviewed for this report were asked if they had a socially responsible investment policy and if they positively screened their investments. Positive screening itself takes a variety of forms. Some foundations have developed a 'best in class' approach to positive screening - which means that they invest in companies regarded as leading their industry in their employment practice, social and environmental reporting, etc.

Investment plus is a distinct approach because it makes a direct link between the purposes of the foundation and the investment. Although much discussed in specialist circles, it is still extremely rare both in the US and in Europe. Some foundations have general charitable purposes but for many with more specific purposes the range of high quality investment plus opportunities available can seem limited.

However, some pooled investment plus funds exist and more are being established (see box 2 below for an example of a consortium based approach⁴).

In the US a small number of foundations, including the Heron Foundation, have pioneered investment plus. The Heron Foundation has only a relatively small, although growing proportion, of its portfolio in investment plus. In order to increase this proportion it has worked to grow the number and quality of investment plus opportunities in its field of interest.

⁴ Others also offer pooled investment plus opportunities. For example, Henderson's Industries of the Future which includes the themes A Cleaner World, A Safer World, A Healthier World. The Charities Aid Foundation (CAF) in the UK is also considering developing investment plus pooled funds.

Box 2 An example of a pooled investment plus fund

In November 2005, Deutsche Bank closed a \$75 million fund devoted to facilitating access to capital for micro-entrepreneurs globally. The Consortium is a unique venture of private and public sector investors who have joined together to apply their business know-how, capital and development initiatives to define market-based solutions to address the alleviation of global poverty. The fund, which introduces microfinance as a new asset class for investors, has a three-tiered debt and equity structure and will provide commercially structured financing for microfinance institutions (MFIs) working throughout the developing world in providing credit to the self-employed poor, such as street vendors, traders, farmers and service providers. Over \$30 million has already been committed to MFIs working in Peru, Kosovo, Nicaragua, Azerbaijan, Colombia, Pakistan, Mozambique and India.

The Consortium has attracted the involvement of the world's leading development agencies: USAID of the United States, the United Kingdom Department for International Development (DFID) and the French Development Agency (AFD), as well as foundations including: Calvert Social Investment Foundation, Geisse Foundation, Gray Ghost Fund, Kaminer Foundation, Left Hand Foundation, and Rauenhorst Foundation. DFID and AFD, as equity investors, provide some of the higher risk capital, which - alongside the USAID partial debt guarantee - helps to remove a high degree of the actual and perceptual risk with which corporate investors sometimes view the microfinance industry. The Consortium offers a vehicle to leverage tax payer or philanthropic funds for greater developmental impact.

Grant aid

Some define any grant as a social investment. However, the focus of this research is grants to enable social investment. A number of the foundations interviewed provided grants to specialist intermediaries to enable them to invest in social ventures. Grant funding can enable specialist intermediaries to set up; build a capital base including a reserve against bad debt; reduce interest rates or other charges; support high risk but potentially high social return ventures; test and promote new methods of raising funds (e.g. forms of bonds) or new financing methods and enable non income generating services to be provided.

Foundations use grants also in other ways to promote and encourage social investment including by supporting research and policy development and networking and training.

3. How and why foundations engage?

Foundation engagement

A limited amount of research has been undertaken examining different forms of social investment in Europe and the US. Notable pieces of work include the periodic PRI Directory published by the Foundation Center in the US⁵ and the mapping work undertaken by the EFC⁶. But we lack a comprehensive overview of the field: some research focuses on programme related investment but does not consider investment plus; other research uses terminology which does not enable these various types of social investment to be differentiated.

The EFC identified 65 foundations and corporate funders in 17 European countries employing one or another form of social investment as part of their programmes portfolio of capital investments. The majority of them - 16 - are based in the United Kingdom. The UK is followed by France (8), Italy and the Netherlands (7 each) and Spain (6).

A 1994 members survey conducted by the Association of Charitable Foundations in the UK indicated that 20 plus of over 300 members had offered loan finance.

The US Foundation Center's 2003 survey of programme related investment identified 255 foundation providers compared to over 61,000 foundations active in the US in that year.

The majority of funders in the EFC mapping (33) report that they offer loan finance; 16 are involved in supporting micro-finance institutions, while 30 have direct micro-credit activities. 11 funders reported they provide venture capital, the same number offer equity investment and loan guarantees.

As regards areas of activity, the priorities are: economic development; social integration; rural development and housing.

Further details available from the EFC mapping, *Independent Funders & Social Investment* (2006).

The telephone interviews with foundations undertaken to inform this report represent a very small sample of social investment in Europe. The foundations interviewed are also an unrepresentative sample - since they were asked to participate because known to have a strong commitment to social investment. However, whilst not being representative, the sample exhibits some interesting features:

⁵ L. Renz (2003) PRI Financing: 2000-2001 Trends and Statistics (Excerpted from the Foundation Centre's The PRI Directory, 2003 Edition)

⁶ However, this work has been somewhat hampered, as were the interviews which informed this report, by the absence of commonly understood terminology and of a common framework to describe the range of activities described here which have important common characteristics.

Programme related investment and grants

Eight of the foundations interviewed had made programme related investments of different types:

- three referred specifically to providing no interest loans, i.e. the foundation sought its capital back but did not require a return;
- a small number of equity investments were being made but these were generally regarded as more problematic than loans because for example, of the issue of exit⁷;
- loans were being made for a variety of purposes for example, to support specialist providers of finance; to enable the development of companies employing a large proportion of people with disabilities; promotion of clean energies in developing countries and preservation of a major cultural building.

Six of the foundations interviewed specifically mentioned grant giving as an important component of their social investment work. Grants for example:

- cover core or infrastructure costs until specialist intermediaries achieve sustainability;
- act as a guarantee fund enabling a mainstream bank to lend to migrants and the unemployed;
- support the early stage development of innovative projects which may later receive loan or equity investment.

Particularly notable were the partnerships developed with the commercial sector, in this case mainstream banks, and the value gained by working through specialist not-for-profit intermediaries.

Investment plus

Some foundations are offering investment plus - three of our sample of ten were making such investments or planned to do so in the future. The approach appears to have been adopted in two instances as part of an effort to diversify investment income and increase the foundation's endowment. In the other it is regarded as part of a general strategy for local economic development.

Socially responsible investment more generally.....

Only two of the foundations referred specifically to having a general policy on socially responsible investment. One was taking concerted action - having decided to set up a small asset management company to create funds based on responsible investment criteria. The other was simply considering what its policy should be.

For short descriptions of the social investment work of the ten foundations interviewed - see annex 1.

⁷ In the UK for example, charitable foundations investing in an enterprise would have to sell their shares if the enterprise changed its operations so that it was not helping to meet the charitable purpose of the foundation.

Why do it ?

The literature on social investment suggests that foundations engage for the following main reasons:

To increase impact, i.e. achieve more with the same amount of money

Funds are recycled (programme related investment) and some of the foundation's endowment is used to achieve its charitable purposes (investment plus).

An interest in building stronger not-for-profit organisations/social markets

It is believed that loan and equity finance strengthens not-for-profit organisations both because it enforces stricter financial and management discipline and because it can help organisations build financial and human capital, buy a new building or develop an income generating venture (see box 2 for more detail on how programme related investment can help not for profits) .

An increased emphasis on accountability and transparency

Awareness of the need for accountability and transparency is increasing amongst European foundations. This is demonstrated through the development and adoption of voluntary codes of conduct. However, the UK has moved beyond voluntary measures; the largest charities will in the future be required to produce a standard information return. That states the foundation's policy on socially responsible investment.

⁸ However, it should be noted that in some instances the foundation is focused on building particular social markets for example, improved social and health care for older people rather than individual organisations or particular not for profit sub sectors.

⁹ This was particularly the case for those foundations characterising themselves as venture philanthropists or using venture philanthropy approaches. However, the view extended beyond this discrete group.

Box 3 Programme related investment helps not for profits

Programme related investment can take the form of both capital and revenue finance. It can help not-for-profits in a number of ways:

Pre funding of fundraising - sometimes not for profits want to take advantage of a particular offer for example, a fixed contract price for building work before they have raised sufficient funds to cover the cost. A loan enables them to take advantage of the offer.

Provision of working capital - an organisation may have secured funding but may have to wait to receive it (for example, payment terms are quarterly in arrears). Working capital underpins cash flow in the short term.

Provision of development capital - development capital enables organisations to invest in training or new facilities and equipment. Often this investment enables organisations to develop income streams which secure their viability over the medium to longer term.

Provide leverage through loans or loan guarantees - helping organisations access greater sums of money or finance on better terms often from mainstream banks. For example, if an applicant for a loan receives a programme related investment from a foundation this can help persuade a bank that the risk of default is slight.

Maintaining liquidity - some US foundations are working to develop secondary markets in loan finance. They effectively 'buy' loans in order to provide not-for-profit lenders with the liquidity they need to enable them to make more loans. So for example, a foundation in the US takes onto its books some of the lending of a specialist not-for-profit lender, releasing funds for it to lend on.

Extracted from *Foundations and social investment: making money work harder in order to achieve more*, Esmée Fairbairn (2005)

The ten foundations interviewed referred to the value of social investment approaches in making money work harder and the majority said that loans and equity played an important role in building organisational capacity⁹. They gave a range of other related reasons for engaging with social investment:

- a desire to unlock significant private funds and use them to achieve social change;
- a wish to do new things and push the boundaries of philanthropy;

Box 4 The contrast with conventional grants

Many of the foundations interviewed contrasted their social investment activity with traditional grant aid. They said they provided social investments because they wanted to create more sustainable solutions to social problems:

When a grant ends the money is gone and the project stops. We want to solve problems in an entrepreneurial way - find other investors - make the initiative sustainable.

They distinguished grants to specialist intermediaries - enabling them to onward lend to social projects - from traditional grant aid. The motivation for these grants was the same as the motivation for providing loans and equity - to help solve problems in a sustainable and entrepreneurial way by facilitating the recycling of funds and by encouraging financial discipline amongst the ultimate beneficiaries. One foundation also explained that it had been motivated to offer loans and quasi equity because it was a financing method more likely to help some initiatives grow to scale and replicate:

Grant funding fulfils different tasks - it would be difficult to grow a fair trade company using grant funding.

- a concern to develop funding structures that add real value;
- a sense that governments alone can not solve social problems and that new models of financing have to be developed;
- a desire to apply business disciplines and business approaches to the social sphere;
- disenchantment with traditional philanthropy and its ability to address entrenched social problems.

Interviewees particularly emphasised sustainability, capacity to address entrenched social problems and an interest in applying business disciplines and business approaches to the social sphere.

4. Barriers to social investment

The interviews and subsequent discussion at SIG indicated three main barriers to foundations engaging with social investment:

Regulatory restrictions

A number of foundations referred to problems with the existing regulatory framework for foundations. They said that they were not allowed to receive returns on their programme related investment and/or considered that if they received a return this would have tax implications. For this reason, a number of the foundations interviewed were providing:

- loans and equity through intermediaries or planning to do so as soon as their direct investments generated a return - (they reported that establishing intermediaries was an expensive and complex process);
- no interest loans;
- making grants for onward investing by specialist intermediaries.

The small scale and scope of this study meant that this issue could not be investigated further. Follow up work to examine whether the regulatory restrictions reported are real or imagined would be valuable (see section 4). It is notable that one of the interviewed foundations had been advised by a professional firm that foundations can not legally make loans. Fortunately, the Director of the organisation met someone from his country's competent authority who was able to correct this view.

One of the interviews also indicated that the different competent authorities the same country may take different attitudes. The regulator may have policies conducive to programme related investment. However, the tax authorities may seek to tax the income from such investments (or it is believed they will).

Trustee attitudes

Some of the interviews indicated that the foundation had been established on the basis that it would provide social investment and promote the approach. In these cases founders were private sector entrepreneurs accustomed to assessing project feasibility and managing commercial risk. The boards of such foundations appeared fully committed to social investment; the Director of one such foundation referred specifically to pushing the boundaries of what foundations can do in this area.

In other foundations the dynamic was different - the CEO or other senior staff were advocating the use of social investment approaches and finding it difficult or simply very time consuming to persuade trustees of their merits. The staff of some of the foundations inter-

viewed suggested that many trustees understand grant giving but not the process of providing loans or equity to develop organisations or build causes. One foundation said it had taken two years to persuade trustees that providing loans was a good idea and indicated that each stage of development of the programme had involved briefing and discussion over quite extended periods.

Many of the foundations interviewed did not provide investment plus. Some commented that this was because of conservatism on the part of investment committees. Such committees were reported as being risk adverse because of significant decreases in asset value over recent years.

Advice and advisers

Some of the foundations interviewed referred to the difficulty of obtaining good advice on social investment - for example, one UK-based foundation reported being misinformed by a firm about the charity law position on social investment. Another foundation reported having difficulty finding appropriately qualified people to advise on social investment policy options and implementation.

The SIG discussion also indicated that investment advisers are a barrier to foundations developing investment plus. High quality investment plus opportunities may generate returns comparable or better than other elements of the foundation's portfolio. However, they fall outside conventional investment models and sit uneasily with adviser's standard benchmarks for judging performance¹⁰. It was reported that those advocating investment plus tended to be referred by interested trustees to the foundation's investment advisers who referred the advocate back to the foundation.

¹⁰ Thanks to Mark Campanale for this point.

5. Challenges and opportunities

There'll be a lot more money coming in over the next 5-10 years from younger generations who have been successful in business and who are interested in social investment models.

The interviews with foundations and the SIG meeting indicated that experts believe that interest in social investment and the funds available for it are likely to grow dramatically for a number of reasons:

- more new mechanisms will be developed to encouraged individuals and organisations to engage with social investment for example, bond issues and pooled investment plus funds;
- more and higher quality services will cater to the growing foundation interest in social investment - making it easier for foundations generally to engage (see below which discusses the perceived lack of appropriate advice and support)¹¹;
- people successful in business will be more aware of social investment models and more likely to adopt them as part of their social commitment¹².

At this point in time social investment is a new and emerging rather than a well established field of activity and the interviews identified a number of specific challenges to its development:

Awareness and understanding of social investment approaches

Foundations generally are insufficiently aware of social investment approaches. However, even if they are aware - they need advice on how to develop social investment funds and this is difficult to access.

Quality advice on regulatory issues

One foundation reported that it was difficult to access high quality advice on regulatory issues. This is a new or emerging field and therefore there is little experience on which such advice can be based.

¹¹ One of the interviewees emphasised that social investment will only grow if the right 'products' are developed - which could be taken to mean both new giving mechanisms and new services to support social investment.

¹² As one interviewee put it such people will be less likely to give large amounts in a spontaneous way and more likely to contribute when they can engage with the financing mechanism (i.e. loans and equity) as well as the cause.

A lack of professional advisers and support services

Some pointed to the absence of a market in advice and support in development and implementation and stressed the need for professional advisers and services, if social investment is to achieve its potential. One foundation suggested that in order to develop a market for high quality advice on social investment techniques and approaches, an accredited training scheme might be developed for advisers.

Accessing the right expertise in implementation

A few of the foundations interviewed suggested that it is easier to run a traditional grants programme than to make programme related investments. One in particular reported that it had found establishing a micro credit scheme very challenging. Some had overcome this difficulty by working with and through trusted specialist intermediaries particularly not-for-profit intermediaries.

The assumption that a lot of money is needed

One small foundation emphasised that social investment makes small amounts of money go further. It suggested that the emphasis so far has been on encouraging large foundations to engage but small foundations might be more likely to see the benefits:

Why would bigger foundations take the risk - they have more than enough money to do interesting things - look to smaller foundations, they are passionate and anxious to make the money they have work harder.

Another emphasised that it was possible for foundations to pool funds with others and to achieve leverage using relatively small investments.

Recipient resistance

Some of the foundations interviewed reported that potential beneficiaries are reluctant to take loans and other forms of investment. They can easily see the risks but are not so aware of the potential benefits. One foundation reported that their biggest challenge was a lack of demand.

Socially responsible investment

One foundation suggested that it is difficult to persuade boards to consider socially responsible investment because defining policy raises complicated questions which take time to resolve. However, the interviews indicated that some foundations are starting to consider 'the social and or environmental quality of the investments made as well as the financial return'.

Investment plus

Investment plus is regarded as challenging because of a lack of trustee awareness and confidence in the approach. There is also a comparative scarcity of investment plus opportunities (property aside). However, there is a growing interest in it and more foundations are likely to engage in the future through the mechanism of pooled funds.

Difficulties in demonstrating social return

Some foundations referred to the difficulty of demonstrating the social return from their programme related investment and investment plus:

Traditional grant-making lends itself to more concrete performance indicators. These are more difficult to establish in the case of social investment.

6. Future work

- areas of potential action to grow the field

So what action is needed to address these challenges, respond to opportunities and grow the field?

Developing a common language and framework

The interviews indicated the lack of a common set of definitions and a common framework for understanding social investment. This report proposes some definitions and a framework in an attempt to move the debate forward.

Clarity about the legal and tax environments

It was clear from the interviews that further investigation is needed to establish the legal and tax environments for social investment across Europe, i.e. what is allowed and what changes are needed to encourage and promote social investment.

Information and promotion

There was consensus about the need for high quality information in areas/on issues such as:

- the different social investment approaches used in different sub-sectors, for example the arts or health;
- which projects are appropriate for grants, loans, quasi equity or equity and for investment plus.

It was also suggested that guidance might be developed for foundations on good practice in socially responsible investment.

An emphasis was placed on promoting social investment approaches and success stories to inspire others.

Sharing experience

All the interviewees stressed the importance of contact with others to share experience and the development of strong networks. One said: 'it's important that people feel there is energy and enthusiasm and real experience to draw on'. It was suggested that meetings might be only once a year but that they should provide leadership and give inspiration.

Training and peer mentoring

A plea was made for more involved training for foundations considering social investment; for foundation leaders and intermediaries aimed at encouraging more effective partnership working; as well as for more specific training that examines in depth the different approaches. One foundation leader suggested that more practical hands on learning experiences were needed and recommended peer mentoring as a possible means of providing these.

Advocacy

A suggestion was put forward to advocate at the European level for a special fund to encourage social investment.

Furthermore, it was recommended that efforts should be undertaken to encourage a more favourable legal and tax environment for social across Europe.

Developing new SRI products

One foundation expressed the view that new up to date socially responsible investment products need to be developed to engage foundations' interest.

Social return

A couple of the foundations interviewed recommended that further work be undertaken examining how the social return on investments might best be measured¹³.

Any programme of work developed to encourage/promote social investment amongst foundations must take into account the needs both of those new to the field and established players.

The general view however was that, provided action is taken to help promote relevant activity and to build the field, social investment has a bright future. As one foundation put it:

I expect to see in the next five to ten years the emergence of pooled social investment funds in Europe, a quantum leap in the activities of individual foundations and social investment funds that are set up in a more structured way, i.e. they are based more on collaboration, greater know-how and make much larger scale investment in projects.

¹³ The Shell Foundation, also interviewed for this project, has already commissioned a very valuable study from the Foundation Strategy Group - Investing for Impact: Managing and Measuring Proactive Social Investment (2006).

Annex 1 - Examples of practice

Don't try and find trends across Europe...conditions...differ too much. What rather is needed is some inspiring examples of what can be done to help foundations think more creatively.

In the research for this report ten foundations from across Europe were interviewed. They were chosen both because of their commitment to social investment and in order to illustrate a range of different approaches. Below are brief summary descriptions of their social investment activity.

Example 1 **Ashden Trust, UK**

Programme related investment

The Ashden Trust is a relatively small foundation which aims to spend most of its annual income. A few years ago the trustees decided to explore social investment as a means of increasing the resources it had available to invest in its main areas of interest. It allocated up to £500,000 from its endowment for loans to projects in the fields of the environment, people at risk, sustainable regeneration and community arts. The trustees have made two loans so far and a further two are at the due diligence stage. In lieu of interest on one of these loans the trustees decided to receive shares in the company which they have gifted to one of the trust's beneficiaries.

Example 2 **The Canopus Foundation, Germany**

Programme related investment, investment plus

The Canopus Foundation takes a venture philanthropy approach investing in clean energies in developing countries. It makes grants for project development, no interest loans and holds one equity investment. The regulatory regime in Germany specifies that a foundation cannot receive a return on its charitable investments. Canopus has therefore agreed with the tax authorities that as soon as its equity investment in a Central Indian biomass/rural electrification project looks likely to generate some return it will be transferred into a subsidiary. Thirty per cent of the foundation's endowment is invested in funds financing wind power and solar power parks in Europe.

Example 3 **Carpathian Foundation, Hungary**

Programme related investment, grant aid to specialist intermediaries, considering investment plus

The foundation invests in the rural economy in the bordering areas of Hungary, Poland, Romania, Slovakia and the Ukraine. It supports seven different micro-loan funds, provides loans to local groups to achieve sustainability and grant aids a mutual guarantee fund which promotes local economic development in the region. It intends to consider investment plus over the next year or so.

Example 4 **Compagnia di San Paolo, Italy**

Grants to specialist intermediaries, considering socially responsible investment

Compagnia's mission is to promote the public interest and social well-being and to assist less privileged social groups. The foundation has run a successful micro-credit scheme in partnership with the San Paolo bank and four not-for-profit organisations. The not-for-profits each worked with different target groups to select applicants who wanted to set up small businesses or undertake training, and introduced them to the bank. The target groups covered were: migrants; young people; women, especially migrant workers; and the unemployed. The bank assessed and made the loans. The foundation's grant to the not-for-profits guaranteed these loans. The scheme was a great success; the bank doubled the value of the loan pool during the course of the scheme. Compagnia is currently considering investing in a new bespoke European Ethical Fund. This Fund has been set up by a small asset management company dedicated to the creation of funds based on responsible investment criteria.

Example 5 **Fondation Demeter, France**

Programme related investment and grants to specialist intermediaries

Fondation Demeter helps not-for-profit organisations become more efficient and improve their management techniques. In France, foundations are not allowed to receive financial returns from funded projects. Because of this Demeter is one of the few foundations in France which provides interest-free loans. Ninety per cent of its financing goes to micro-finance institutions in emerging markets (India, Africa and Latin America) and ten per cent to potentially self-sufficient programmes or not-for-profit institutions in Europe. Typically these organisations support enterprise development by women. Funding through donations is provided for infrastructure costs until the micro-credit institutions break even.

Example 6 **King Baudouin Foundation, Belgium**

Programme related investment

The mission of the King Baudouin Foundation is to help improve people's living conditions. It undertook a review of poverty in Belgium. This review asked those living in poverty about their needs and aspirations and identified that access to micro-credit was a major issue. Many of those whose views were canvassed were refugees or migrants, not the multi generational poor. This group needs assistance at a particular stage in life in order to improve their future prospects. King Baudouin developed an innovative partnership with the banking sector to test out a micro-credit scheme. It now provides a guarantee fund for not for profit organisations who want to buy or renovate property and has made a major programme related investment to save an important cultural building in Brussels.

Example 7**Noaber Foundation, Netherlands***Programme related investment*

Noaber seeks to stimulate social entrepreneurship and support underprivileged communities by means of ICT and to encourage cooperation in the provision of particular health and social care services. The foundation provides grants, loans, subordinated loans, loan guarantees and equity. It has developed a three stage model: grants pump prime the early stage development of innovative ideas; social venture finance enables social projects to be executed that might become sustainable and capital venture finance both enables the foundation to learn from the venture capital world and to continue to support social ventures which might be interesting to venture capitalists. It applies different criteria regarding risk and levels of return to social venturing and capital venturing. Generally, in the case of social venturing the investment period is longer.

Example 8**Fundación ONCE, Spain***Programme related investment and grants to specialist intermediaries*

Fundación ONCE has a small endowment and receives, on an annual basis, funding from its founder, ONCE (the National Organisation for Spanish Blind People), which manages a private lottery. It also raises funding from other sources including government departments and the European Commission. Fundación ONCE provides grants to specialist organisations, individuals and social enterprises, with a view to increasing employment and training opportunities and improving accessibility for people with disabilities. It also owns a corporation which creates and holds companies offering employment for people with disabilities. It adopted this approach as the best means of creating significant employment opportunities rapidly for the disabled. The foundation provides capital to the parent company and the parent company provides capital and also loans at market rates to its different operating companies to finance their development. Profits from these companies are not returned back to the foundation but are reinvested in companies in the group or in new projects. More than seventy per cent of group employees are disabled. Fundación ONCE measures profitability in both social and financial terms.

Example 9**Fundação Oriente, Portugal***Programme related investment and investment plus*

Fundação Oriente supports activities of a cultural, educational, artistic, social, and philanthropic nature in Portugal and Macao. It has over time developed a series of ventures which have increased the size of its endowment. In the past it held shares in an oil company and in a brewery and it has made significant investment in the development of renewable energies. Five years ago it set up a social economy bank and an insurance company which privilege mutuals, co-operatives and associations. The bank finances these organisations to enable them to develop projects and make better use of their assets. The interest rate charged on loans is equivalent to the lowest interest rate charged by any bank in Portugal.

Example 10**The Shell Foundation, UK***Programme related investment*

The Shell Foundation seeks to catalyse partnerships that deliver sustainable solutions to social and environmental challenges relevant to the energy industry and multi national corporations. It is keen to promote social investment believing it encourages the financial discipline necessary to scale-up charitable activity over the longer term. As part of its early social investment efforts, the Shell Foundation set up a wholly owned not-for-profit subsidiary in South Africa that makes social investments. Any income received by this subsidiary will be re-invested in further social investment activities. The Shell Foundation works with a range of other strategic partners. In all cases, it undertakes extensive due diligence to ensure these partners have proper management procedures and business controls in place, including for monitoring performance.

Annex 2 - Interviewees

Ashden Trust
9 Red Lion Court
London EC4A 3EB
United Kingdom
Phone: +44.20.7410.0330
Contact: *Victoria Hornby*

CANOPUS Foundation
Grünwälder Straße 10 - 14
79098 Freiburg
Germany
Phone: +49.761.202.0172
Contact: *Peter W Heller*
www.canopusfund.org

Carpathian Foundation
Bocscai u. 21
1114 Budapest
Hungary
Phone: +36.1.788.7466
Contact: *Mr Sándor Köles*
www.carpathianfoundation.org

Compagnia di San Paolo
Corso Vittorio Emanuele II, 75
10128 Torino
Italy
Phone: +39.011.559.6911
Contact: *Antonella Ricci*
and *Davide Tinelli*
www.compagnia.torino.it

Fondation Demeter
10, rue Marguerite
Paris 75017
France
Contact: *Pascal Vinarnic*

Fundação Oriente
Rua do Salitre 66-68
1269-065 Lisbon
Portugal
Phone: +351.21.358.5200
Contact: *Carlos A. Monjardino*
www.foriente.pt

Fundación ONCE
Sebastián Herrera 15, 23 pHa
28012 Madrid
Spain
Phone: +34.91.506.8899
Contact: *Isabel Vera Rendón*
www.fundaciononce.es

King Baudouin Foundation
21 rue Brederode
1000 Brussels
Belgium
Phone: +32.2.511.1840
Contact: *Luc Tayart de Bormis*
www.kbs-frb.be

Noaber Foundation
Dorpstraat 14
P.O Box 20, 6740 AA Lunteren
Netherlands
Phone: +31.318.59.6400
Contact: *Pieter Oostlander*
www.noaber.com

Shell Foundation
Shell Centre
London SE1 7NA
United Kingdom
Phone: +44.20.7934.5496
Fax: +44.20.7934.7348
Contact: *Chris West*
www.shellfoundation.org

Annex 3 - Social Investment Glossary

This glossary covers key concepts and terms in the field of social investment. It is a work in progress - we welcome readers' comments and suggestions.

Assets: the amount of capital - money, stocks, bonds, real estate or other resources - of the foundation. Generally, assets are invested and the income is used to make grants.

Capital Support: funds provided for endowment purposes, buildings, construction, or equipment.

Community Investment¹⁴: describes investing that supports development community development initiatives (housing, creates jobs, and helps responsible businesses in low-income communities) through building institutions such as: Community Banks, Community Credit Unions, Community Loan Funds and Microenterprise lenders.

Endowment: funds intended to be kept permanently and invested to provide income for continued support of an organisation.

Equity investment: to own some equity of a business which furthers the funder's mission. Foundations:

- **EFC Definition of Foundation:** separately-constituted nonprofit bodies with their own established and reliable source of income (usually, but not exclusively) from an endowment or capital. These bodies have their own governing board. They distribute their financial resources for educational, cultural, religious, social or other public benefit purposes, either by supporting associations, charities, educational institutions or individuals, or by operating their own programmes.
- **EFC Typology of European Foundations:** comprises four groups by which the EFC classifies foundations. Each group has a number of generic sub-categories which are presented as guidelines that national level organisations working in this field can modify to suit their own particular situation and preferences. These four groups are:
 - Independent Foundations
 - Corporate Foundations
 - Governmentally-Supported Foundations
 - Fundraising Foundations

To view the full EFC Typology of Foundations in Europe, go to <http://www.efc.be/ftp/public/eu/eurweb/efctypology.pdf>

¹⁴ Foundation Partnership on Corporate Responsibility <http://www.foundationpartnership.org/ComtyI.htm>

Investment Plus: a term introduced in this report, to refer to social responsible investment that uses positive screens to select investments which directly advance the foundation's purposes and mission. It is sometimes, but not consistently, called mission related investment in the US.

Loans

- **revolving loans:** loans that are tailored to the capital needs of the recipient. These funds are limited therefore loans are structured for a scheduled period of time with a much shorter "call period" than conventional loans. This allows time for the business to become profitable before repaying the loans so the funds can be re-loaned or in other words "revolve"
- **bridge loans**¹⁵: short-term financing which is expected to be paid back relatively quickly, such as by a subsequent longer-term loan. Also called swing loan or bridge financing
- **soft loans**¹⁶: loans that have extended grace periods in which only interest or service charges are due, longer (up to 50 years) amortisation schedules, and lower interest rates than conventional bank loans

Loan guarantees¹⁷: use of financial resources to assure the repayment of a loan made by a third party. The goal is to increase the borrower's access to credit at feasible rates of interest by assuming part of the risk

Microfinance: refers to loans, savings, insurance, transfer services and other financial products targeted at low-income clients¹⁸.

- **Microcredit**¹⁹: a small amount of money loaned to an individual or group by a funder. Microcredit can be offered, often without collateral, to an individual or through group.
- **Microinsurance**²⁰: a system by which people, businesses and other organisations make payments to share risk. Access to insurance enables entrepreneurs to concentrate more on growing their businesses while mitigating other risks affecting property, health or the ability to work²¹.

Patient capital²²: long term financial investment in which the investor is prepared to tailor the terms, allowing companies the time to mature into profitable organisations.

(Philanthropic) venture capital²³: funds made available for start-up firms and small businesses with exceptional growth potential. Technical expertise is often also provided.

¹⁵ Investor Words (www.investorwords.com)

¹⁶ United Nations Institute for Training and Research (<http://www.unitar.org>)

¹⁷ S. H. Cowell Foundation (www.shcowell.org/grant/pripolicy.pdf)

¹⁸ UN definition

¹⁹ International Year of Microcredit 2005 (www.yearofmicrocredit.org/)

²⁰ International Year of Microcredit 2005 (www.yearofmicrocredit.org)

²¹ UN definition (www.un.org)

²² Small Business Administration (www.sba.gov)

²³ Funding Post (www.fundingpost.com)

Programme related investment (PRI)²⁴: investment in other non-profit organisations that share the objectives of the funder's programme areas. Programme related investment can be loans, loan guarantees, indemnities or shares. PRI therefore enable foundations to work their assets harder by investing philanthropic funds directly in non-profit activity, making a social as well as a financial return on the investment.

Recoverable grants²⁵: grants that function as interest-free loans. They are made from the grantmaking budget.

Social private equity²⁶: investment capital, other than the stock market, that is invested in non-public companies engaging in profitable, social impact-driven activities. In general, private equity encompasses early stage (venture) through to later stage investing (buyouts). Social private equity investors seek strong financial returns and social returns from for-profit businesses that are developing market-based products and services that make a positive difference for people, the environment, and/or society.

Strategic grantmaking²⁷: addresses the change(s) or community benefit(s) one hopes to bring about (identified through strategy development). Strategic grantmaking encompasses three components:

- Developing a "theory of change" that outlines the way desired changes or benefits are expected to come about
- Identifying appropriate programme areas that focus on these "paths" to change
- Choosing a suitable granting approach or approaches

In the context of social investment, strategic grants address social exclusion and unemployment through the provision of financial support to business start-ups, entrepreneurial activities; housing schemes; cooperatives; local financial institutions/intermediaries such as Community Development Financial Institutions (CDFIs), Monetary Financial Institutions (MFIs) or credit unions.

Strategic Grants: grants towards social enterprises, entrepreneurs and entrepreneurial programmes, microfinance institutions, credit unions, cooperatives.

Venture philanthropy²⁸: a model for charitable giving based on venture capitalism in the business world. Investors make long-term funding commitments, closely monitor performance objectives through pre-defined measurement tools, and problem-solve jointly with the non-profit leadership team on a regular basis. Like private sector entrepreneurs, funders take the initiative. This often means bringing together people and resources, including funding from other sources.

²⁴ G. Peacock K. Hickey, P. Voller, K. Sayer, N. Wilkie, 'The Magic Roundabout, How Charities Make Their Money Go Further'

²⁵ Foundation Center (<http://fdncenter.org>)

²⁶ Denis Flemming, 'Social Private Equity Investment: A Synopsis of Lessons Learned', Insight Philanthropy Services, 2002.

²⁷ Grant Benefit (http://www.grantbenefit.org/making_grants/pg008_e.cfm)

²⁸ Institute for Social Entrepreneurs (www.socialent.org/intro_to_se.htm#resources)

Annex 4 - Selected bibliography

Most of these publications are available for consultation at the EFC Library in Brussels, Belgium. (<http://www.efc.be/projects/orpheus/library.htm>)

Program-related investing : skills and strategies for new PRI funders. - New York : The Ford Foundation, 2006. - (GrantCraft)

In this guide, experienced funders explain how to make program-related loans and equity investments that advance a foundation's mission. Grantmakers will find tips on introducing this concept inside foundations, as well as finding and structuring deals and becoming part of a growing network of PRI makers.

For information: www.grantcraft.org/index.cfm?fuseaction=Page.viewPage&pageID=821

Investing for impact : managing and measuring proactive social investments / Mark R. Kramer, Sarah Cooch. - London : Shell Foundation, Foundation Strategy Group, 2006. - 60 p.

This study describes an important and growing new source of capital that offers both societal and financial benefits. It aims at defining social investment, gives a rationale for it and suggests ways of measuring performance, using financial metrics on the one hand, and socio-economic, social and environmental metrics on the other. Includes a case study on renewable energy enterprise development (REED), reviews four lessons learned for successfully measuring performance, and barriers that have to be overcome for proactive social investment. Also contains a bibliography.

This FSG publication can be downloaded from the Perspectives and Writings section of the FSG site : <http://www.foundationstrategy.com/perspectives/default.asp>

Approaches to financing charitable work: tracking developments : January 2006 / Margaret Bolton, John Kingston. - Kent : Charities Aid Foundation (CAF), 2006. - 40 p.

This paper is an update to 'New approaches to financing charities and other social enterprises : a snapshot : May 2003'.

<http://www.cafonline.org/venturesome/VenturesomeApproaches0106.pdf>

Foundations and social investment : making money work harder in order to achieve more / Margaret Bolton. - London : Esmée Fairbairn Foundation, 2005. - 37 p.

This briefing and full report describe the principles and concepts of social investment, using case studies from the UK and the US to explain how social investments have actually happened and worked in practice. It aims at supporting and further stimulate interest by providing foundations with information about social investment and its relevance to their goals and strategies. It reflects on social investment approaches, their pros and cons and critical success factors.

http://www.esmeefairbairn.org.uk/docs/EFF_foundations_report.pdf

Mainstreaming responsible investment / Simon Zadek, Mira Merme, Richard Samans. - Geneva : World Economic Forum, 2005. - 60 p.

The outcome of a Global Corporate Citizenship Initiative's inquiry, namely: why the investment community places only modest emphasis on social, environmental, and ethical issues in investment valuation and asset allocation decisions. The report identifies obstacles and explores possible changes in policies and practices that could serve to integrate non-financial considerations into their investment strategies.

http://www.weforum.org/documents/gcci/FINAL_GCCI_MRI-Report_2004-2005.pdf

Measuring innovation : evaluation in the field of social entrepreneurship / Mark R. Kramer. - Palo Alto : Skoll Foundation, 2005.

White paper on new approaches to evaluation in the rapidly emerging field of social entrepreneurship. Based on interviews with a selection of funders, thought leaders and social entrepreneurs, this paper provides an overview of evaluation practices in social entrepreneurship and highlights ways that this new thinking might both inform and benefit from other approaches to evaluation among foundations. The appendix includes a selection of sample evaluation forms used by leading funders of social entrepreneurs.

This FSG publication can be downloaded from the Perspectives and Writings section of the FSG site : <http://www.foundationstrategy.com/perspectives/default.asp>

Opening opportunities, building ownership : fulfilling the promise of microenterprise in the United States / Elaine L. Edgcomb, Joyce A. Klein. - Washington, DC : The Aspen Institute, 2005. - VIII, 127 p.

ISBN: 0898434300

This book aims to capture the dynamics of the microenterprise development field in the United States. It addresses organisations interested in helping people disposed to start their own business or become entrepreneurs. The authors analyse the growth, impact and performance of many organisations that support microenterprise, and sets an agenda for the future.

<http://www.fieldus.org/publications/FulfillingthePromise.pdf>

CC14 - investment of charitable funds : basic principles. - London : Charity Commission, 2004. - 16 p.

This guide addresses charity trustees who intend to invest the surplus of the charitable funds in order to generate extra income for backing future activities. The guide details trustees' powers and duties, delegation of investment management, investment policy and tax implications, among other topics.

<http://www.charity-commission.gov.uk/Library/publications/pdfs/cc14text.pdf> or
<http://www.charity-commission.gov.uk/supportingcharities/cc14.asp>

Unlocking the power of the proxy : how active foundation proxy voting can protect endowments and boost philanthropic missions / Conrad McKerron. - New York : Rockefeller Foundation, 2004. - 60 p.

This report describes how foundations can and should institute a system of proxy voting, or a system by which shareholders can voice issues relating to corporate governance and ensure that their vote is cast. Proxy voting can reinforce the foundation's mission, support environmental and social goals as well as improve management, transparency and accountability. The report describes steps involved in creating a proxy voting system and ways in which to maintain and monitor it.

<http://www.asyousow.org/powerproxy.pdf>

Tapping the financial markets for microfinance : Grameen Foundation USA's promotion of this emerging trend / Jennifer Meehan. - Washington, DC : Grameen Foundation USA, 2004. - 29 p.

This paper focuses on the challenge of attracting the domestic and international commercial financial markets to support rapid scaling up of microfinance. It includes case studies from both inside and outside the network of organisations with historical linkages to Grameen Foundation USA. It is written for a broad audience, including investors, micro-finance stakeholders, and managers, to introduce issues necessary to attracting commercial investment.

<http://www.grameenfoundation.org/docs/programs/GFUSA-CapitalMarketsWhitePaper.pdf>

Patient capital : a new approach to investing in the growth of community and social enterprise : a report from the Civil Renewal Unit / David Carrington. - London : Civil Renewal Unit, 2004. - 17 p.

Patient Capital is neither a straightforward grant nor a purely commercial loan transaction. Instead, it provides a long term financial investment in which the investor is prepared to tailor the terms, while looking for both a social and a financial return. In effect, a bespoke and flexible approach to financing social enterprise. The report explains this concept, used among social enterprises, community organisations and their funders to describe forms of investment which are intended to achieve social benefits while also generating a financial return.

<http://www.active-citizen.org.uk/files/downloads/Reports/patientcap040511.pdf>

New approaches to funding not-for-profit organisations / John Kingston , Margaret Bolton. - [s.l.] : Charities Aid Foundation (CAF), 2004. - 16 p.

This report seeks to record and to explain the enormous growth in interest over the last few years in the provision of loans and other investment to non-profit organisations. It argues that this funding development fills a gap in the market. It describes the following new approaches: social investment; the provision of 'patient capital', and an 'investment' or 'venture philanthropy' approach to grant making. The factors driving the growth in use of these approaches are examined and their relevance to fundraising charities considered. Finally, the report discusses how key stakeholders including the government and charitable trusts are adapting to this new environment.

<http://www.cafonline.org/venturesome/approach04.doc>

The investor's toolkit : generating multiple returns through a unified investment strategy / Jed Emerson , Timothy Freundlich , Shari Berenbach. - [s.l.] : [s.n.], 2004. - 38 p.

This paper offers an introduction to the concept of managing financial assets using a strategy that maximises not only economic performance, but also social and environmental returns. It also explores the current state of this evolving investment approach, as well as the logic driving its inevitable expansion. This work is intended to broaden understanding of the diverse investment vehicles presently available, as well as to analyse how these trends might play out for different types of investors. The future of financial asset management as a field is also considered.

<http://www.blendedvalue.org/Additional+Papers+by+Jed+Emerson/169.aspx>

For and against the community interest company / Malcolm Lynch. - [s.l.] : [s.n.], 2004. - 1-4 p.

The article examines the proposed new UK legal form for social enterprise, the Community Interest Company (CIC). The government's stated intention in promoting this new legal model is to improve access to finance, create a strong new brand, provide protection from demutualisation and preserve assets and profits for solely social purposes.

<http://www.caledonia.org.uk/papers/Community%20Interest%20Company.pdf>

Reflections on philanthropic effectiveness / Jed Emerson. - [s.l.] : [s.n.], [2004?]. - 12 p.

This paper is based upon the comments, thoughts and ideas of over 35 foundation representatives brought together in Heidelberg, Germany, as part of the International Network on Strategic Philanthropy. It is not a comprehensive review of issues related to philanthropic effectiveness, but rather a reflection of how some of those involved in philanthropy approach a question that is viewed with increasing importance, namely: How should we best pursue efforts to maximise the effectiveness of philanthropy?

<http://www.blendedvalue.org/Additional+Papers+by+Jed+Emerson/158.aspx>

Total foundation asset management : exploring elements of engagement within philanthropic practice / Jed Emerson. - [s.l.] : [s.n.], 2003. - 21 p.

This essay discusses foundation assets and addresses the question of how foundation staff should work to engage those assets in the creation of value, and how those concerned with fulfilling the true potential of philanthropy should view returns generated as a result of the appropriate allocation of those foundation assets.

<http://www.blendedvalue.org/Additional+Papers+by+Jed+Emerson/156.aspx>

The blended value map : tracking the intersects and opportunities of economic, social and environmental value creation / Jed Emerson , Sheila Bonini , Kim Brehm. - [s.l.] : [s.n.], 2003. - 170 p.

While all organisations attempt to create value of one kind or another, the central premise of the blended value proposition is that value is itself a combination of economic, environmental and social factors, and that maximising value requires taking all three elements into account. The Blended Value Map is a beta version of what will hopefully become a suite of tools to help build the critical mass necessary to achieve and sustain real change. A bibliography as well as an executive summary are included.

<http://www.blendedvalue.org/Papers/97.aspx>

Approaches to financing charities and other social enterprises : a snapshot : May 2003 / Margaret Bolton, John Kingston. - Kent : Charities Aid Foundation (CAF), 2003. - 22 p.
This paper seeks to record and explain the enormous growth in interest in the provision of loans and investment to charities and other social enterprises. It aims at capturing the UK's position in May 2003, analysing the gaps in the provision of financing, the different types of financing available at the time, and the development of new methods. Includes a bibliography.
<http://www.cafonline.org/downloads/newapproaches.pdf>

Connectors and conduits : reaching competitive markets from the ground up : the Access to Markets Demonstration final report / Karen Doyle Grossman, Amy Kays Blair, Tamra Thetford. - Washington, DC : The Aspen Institute, 2002. - 45 p.
ISBN: 0898433541

The subject of this report is the Access to Markets (ATM) Demonstration and Learning Assessment, an innovative Mott Foundation strategy. ATM was launched in 1997 as a challenge to increase access to more lucrative markets for microbusinesses. The report explores topics such as typology and best practices of ATM, client characteristics, costs, outcomes and lessons to be drawn.
<http://www.fieldus.org/publications/ATMFinalReport.pdf>

The percent club company results. - London : Business in the Community (BITC), 2001-2002. - 80 p.
This index consists of nearly 300 companies who are committed to making an investment in the communities in which they operate. These companies are required to make a minimum investment of 1/2% of UK or global pre-tax profits.
<http://www.bitc.org.uk/document.rm?id=70>

Nouvelles alliances dans la sphère privée : entreprises et ONG. - Paris : Admical (Association pour le Développement du Mécénat Industriel et Commercial) & la Fondation de France, 2002. - 36 p.
This study examines existing partnerships between NGOs and companies in order to understand the changes in progress within the sector. It also examines potential problems that might arise when non-profit organisations work with the private sector.
<http://www.admical.org/news/files/Etude%20mise%20en%20page%20par%20Fdf%20corrig%C3%A9%20JMPV2.pdf>

Indicators of effectiveness : understanding and improving foundation performance. - Boston : The Center for Effective Philanthropy, 2002. - 42 p.
This publication describes ways in which foundations can assess and improve their performance and social impact. Descriptions of current practice are based on interviews with foundation executives as well as surveys taken from 3500 foundations, based in the United States and active in 23 countries, as to how they conduct performance assessment.
<http://www.lawrenceassociates.com/Files/TCEPIndicatorsofEffectiveness.pdf>

A capital idea : total foundation asset management and the unified investment strategy / Jed Emerson. - [s.l.] : [s.n], 2002. - 38 p. - (Research Paper Series).

This paper presents the perspective that the purpose of foundations is not simply to engage in grant making, but rather to invest in the creation of social value. The idea is also proposed that available foundation assets for supporting this process of social value creation should be viewed as not simply their grant making ability, but their overall investment strategy for both core assets and philanthropic investments. A strategy for achieving maximum social impact is presented, and the implications of that strategy are discussed. The paper's appendix includes an extended discussion by two foundation trustees regarding the question of fiduciary responsibility.

<http://www.blendedvalue.org/Additional+Papers+by+Jed+Emerson/145.aspx>

Making programme related investments. - London : The National Council for Voluntary Organisations (NCVO), 2002. - 3 p.

Programme related investment can be : loans, loan guarantees, indemnities or shares. The document briefly describes the four options. More information can be found on the website, where the document is published :

www.askncvo.org.uk/Asp/search/docBrowser.aspx?catID=141

<http://www.askncvo.org.uk/Asp/search/docViewer.aspx?siteID=2&sID=28&documentID=1543&catID=141>

Programme related investment. - London : The National Council for Voluntary Organisations (NCVO), 2002. - 3 p.

A description of what programme related investment involves. More information can be found on the website, where the document is published :

www.askncvo.org.uk/Asp/search/docBrowser.aspx?catID=141

<http://www.ncvo-vol.org.uk/Asp/search/docViewer.aspx?searchText=programme%20related%20investments&search=1&siteID=2&sID=28&documentID=1542>

A guarantee fund in Rwanda. - Brussels : AQUADEV ONG Internationale, [200?]. - 2 p.
Aquadev outlines a Guarantee Fund for Microfinance in Rwanda which is part of a larger project financed by the Belgian Survival Fund (FBS). Aquadev is a Belgian NGO active in Microfinance in Western and Central Africa. Their website can be consulted for more information: <http://www.aquadev.org/>

Useful guidelines - charities and social investment. - London : Charity Commission, [200?]. - 10 p.

This document outlines a means for charities to pursue their charitable actions, referred to as 'social investment'. A Variety of social investment tools are explored, including provision of loans, loan guarantees, letting of lands and buildings. Indications and examples are provided.

<http://www.charity-commission.gov.uk/Library/supportingcharities/pdfs/casi.pdf>

<http://www.charity-commission.gov.uk/supportingcharities/casi.asp>

Investing for social gain : reflections on two decades of Program-Related Investments. - New York : Ford Foundation, 1991. - 58 p.

ISBN: 0916584461

The focus of this booklet is the Ford Foundation's Program-Related Investments (PRIs), an innovative philanthropic mechanism launched in the late 1960s. The document covers the history of the PRI strategy, its evolution and current related projects, and draws on lessons learned from two decades of experience.

<http://www.fordfound.org/elibrary/documents/0198/suppress/low/0198supp-low.pdf>

Program related investments : glossary of financial and investment terms.

- Baltimore : The Annie E. Casey Foundation. - 13 p.

http://www.primakers.net/files/PRI_glossary.doc

About the Social Investment Group

The European Foundation Centre Social Investment Group is a network committed to promoting and advancing social investment practice among foundations and corporate donors in Europe and in their global work; encouraging learning from and collaboration with other sectors; and contributing to development of new social investment vehicles and benchmarking tools. SIG involves also venture philanthropists, financial intermediaries, and social entrepreneurs. SIG is chaired by Rabobank Foundation.

About the European Foundation Centre

The European Foundation Centre (EFC) is a membership association that promotes and underpins the work of foundations and corporate funders active in and with Europe. Established in 1989 by seven of Europe's leading foundations, the EFC today serves a core membership of more than 200 members, associates and subscribers; 350 community philanthropy initiatives; as well as a further 50,000 organisations linked through a network of 58 information and support centres worldwide.

The Centre is an independent international not-for-profit association under Belgian law. Membership of the Centre implies commitment to the EFC brand. Members agree to adhere to the principles and objectives set out in the Prague Declaration, and to a voluntary and self-regulatory Code of Practice endorsed by members and revised and updated on an ongoing basis.