

Session Notes

Session: (Workshop) Leveraging the Full Spectrum of Philanthropic Capital Towards Impact (June 8, 2:30pm)

Session Reporter: Thammika Songkaeo

Moderator: Gaurav Gupta, Regional Director, Asia Dalberg

Speakers:

- Marie Kogiso, Director, International Project Planning and Development Department, Sasakawa Peace Foundation
- Natasha Shih, Project Coordinator, International Project Planning and Development Department, Sasakawa Peace Foundation
- Annie Chen, Founder and Chair, RS Group
- Catherine Brown, CEO, Lord Mayor's Charitable Foundation
- Stefan Schaefer, Head of European Affairs, King Baudouin Foundation

Key Takeaways:

- Patience and trust are absolutely necessary in convincing foundations to move towards impact investment
- 'The middle ground' between grant-making and traditional investments is increasingly being explored by many players, for sustainability and greater impact

Mari Kogiso

- Sasakawa wants to achieve both financial and social returns, using the synergy of a diverse portfolio. It is now developing a gender-focused investing plan.

Natasha Shih

- Grants by themselves cannot solve all problems, yet traditional investments might contain conflicts with missions, with huge proportions of assets not contributing to mission. They're now exploring the middle ground of capital spectrum between financial return first and impact first.
- Gave examples of different foundations contributing across the impact chain:
 - Impact-first example: Dell Foundation gave equity low-cost loans guarantee, investing in non-profits and for-profits for education in US and urban poor in India.
 - Financials-first example: McKnight Foundation, investing in public-listed companies providing sustainable goods and services with Stewart Investors, and investing in coal-free companies corporate bonds with Mellon Capital.
- 'Middle ground' investments are becoming more popular, in general
- Common impediments - biggest: personnel capacity or resource constraints, lack of knowledge or understanding of opportunities available, and lack of how impact investing can help achieve the mission

Catherine Brown

- LMC Foundation now works in climate change, affordable housing, and education and employment (for both young and old). Its impact investment portfolio has taken time to form. She had to come up with impact investment policies, making sure they aligned with grants policies, asset allocation, and what the investment community was doing, to be taken seriously.
- Staff in her foundation thought doing grants was easier, but CB argued that impact investments would get more financial resources together for social good. They've done three projects over the last year: affordable housing, technology start-up about food waste (matching food supply and demand); and Higher Up, an application matching people with disabilities with support workers

(going very well).

Stefan Schaefers

- KB Foundation is a classic grant-maker but also an operational foundation and a national community foundation. It's a hybrid and difficult to manage. 250 million-euro endowment; 600 million-euro earmarked (donor-advised funds). Journey with impact investment started in 2009, through EVPA networks. They created a working group, did study trips, and received USD 5 million to play with during their first years.
- They learn by doing, not over-preparing and not doing anything. It's been rewarding. They now even have a program in Central Africa (they've invested in a Belgian company that is in agriculture, giving a loan to a cooperative that was missing a mill, and now that cooperative can be registered as a fair-trade company since they can control every part of production. These coffee makers are now directly exporting coffee directly to the Belgian supermarket.) They've changed their whole investment strategy into impact investment; they admit they're doing this mainly for reputation issues, since a community foundation shouldn't have iffy things in their portfolio.

Annie Chen

- RS is a family office that manages assets inherited from her parents, but they also have a mission to use their resources to foster paradigm shifts so that economic growth doesn't happen at the cost of society or the environment. She wanted to align personal values with the ways she invests, and learned more about 'blended value'. Only recently did she begin to keep track of the externalities of her investments, so now her investments are all impact investments and grants. Impact investing across the spectrum brings a new perspective to the way that people invest and make grants, she explains. She believes that one day everyone will adopt this total impact investment approach, and she wants to quicken this approach ». She has published a report to inspire others.

Discussion

- Critical success factors
 - We need staff to understand why investments are sometimes 'better' than grants (for even grants are a financial 'loss'), and we need to create a culture where failure is okay. At KB Foundation, they annually give 'the Failure Award.' People also need to 'relax a bit in all this'.
 - Due diligence and people are important; it isn't enough for the money to go to a good cause; people are most important (not just skill sets, but also attitude and humility.)
 - She emphasizes that one should know well the board's commitment.
 - An investment policy statement can help.
 - An informal CEO network could help (small, informal group that does dinner every quarter, and an away-day once a year); networks don't have to be that formal
- Impediments to adopting Impact Investing
 - Wrong approach to the *real* question. Organizations often think first about whether they are 'grant-giving' or 'impact investing' when the real question should be 'What is the problem the organization is trying to solve?' and from there they can decide what method - grant or impact investing - makes more sense.
 - Tax incentives are sometimes unaligned with impact investment incentives; grants can be better for tax alleviations.
 - Some cultures, such as Japan, are just more risk averse (and impact investments sound like risks).
 - Trying to collaborate with other organizations becomes difficult when finances are involved (because people see themselves winning and losing).