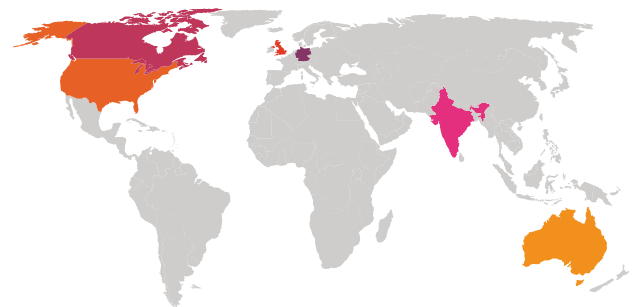


10 INNOVATIONS IN GLOBAL PHILANTHROPY

Concepts worth spreading in the UK

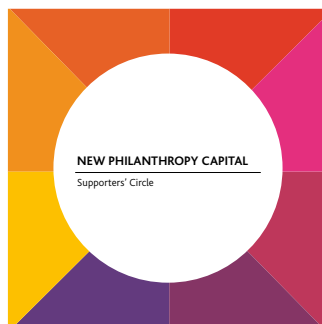
Plum Lomax and Rachel Wharton
October 2014



With thanks to those who provide NPC with the core funding
we need to explore new areas and opportunities:

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FOREWORD

Philanthropy has never been so important. The decision taken by individuals or companies to allocate some of their resources to improve the welfare of others, or the environment in which we live, is a major element of a civilised society. And although the UK is one of the more generous nations¹, we are living in a time of increasing social need combined with the greatest inequality in global wealth for 100 years²—our generosity is just not keeping pace. Philanthropists play a tremendous role in addressing this, but they need to be smarter and more cutting-edge. Innovative philanthropy has never been so important to put limited resources to best use.

'Innovative philanthropy has never been so important to put limited resources to best use.'

Innovation is occurring at great pace in all walks of life, and as this report shows, the philanthropy sector is no exception. The landscape is constantly changing, with new tools, vehicles and approaches being developed, tested, refined and implemented around the world.

Sometimes what is innovative is the replication of developed techniques in one country being transferred to a different one. In many regions, particularly Latin America and Asia, philanthropy is developing at great speed, but from a very low base and is adapting developed approaches to the local context. More brand new innovation seems to be occurring within just a few countries including the US, Canada and the UK.

Technology has a significant role to play with digital developments fuelling the rise in, for example crowdfunding or data-driven needs analysis. But it is not the only kind of innovation going on. For example, the Shell Foundation's failure report; the Kleissner's move towards 100% of funds invested for social impact; or Australia's Goodstart deal (all discussed in this report) are in no way reliant on technology.

New players in the philanthropy field are also responsible for innovative thinking. While there has been an increasing professionalisation of those working in the sector, innovation itself is being driven by the recent wealth creators turning their hand to social problems, and a younger generation of philanthropists doing things differently from their predecessors. And it's not just happening within the non-profit sector—some of the new initiatives are emerging from the private sector too. There's a risk that traditional philanthropy may miss the boat if it doesn't embrace innovation more, as new players set the pace and see traditional models as increasingly irrelevant.

NPC has been dedicated for over a decade to improving the quality and scale of philanthropy in this country in order to maximise social impact. So we really care about capturing the innovations that are occurring throughout the world, to see what can and should be transferred, adapted or replicated, not least here in the UK—and which have more limited appeal. It's hard to keep on top of this evolving landscape, hence our motivation for writing the report. We now hope to take some of these new ideas forward ourselves to help existing funders improve their giving, or indeed inspire new funders to join in. And we hope other initiatives will also be pursued by individuals, trusts and foundations, advisors and even government.



Dan Corry
Chief Executive, NPC

EXECUTIVE SUMMARY

Innovative philanthropy is essential if philanthropists, and the charities and social enterprises they fund, are to address the complex social and environmental issues we face today.

Improving philanthropy is about channelling more money and better money. We have highlighted ten exciting innovations from around the world which are helping to grow philanthropy—bringing in more money—or to ensure resources are used more effectively—spending money better.

We worked with the world’s leading philanthropy experts to identify and select these ground-breaking approaches which we believe have the potential to make the biggest difference to how the philanthropy sector works. Among other criteria, we chose innovations which can be replicated in the UK. And we focussed on giving-related innovations rather than social innovations that philanthropists can invest in.

WHAT DO WE MEAN BY INNOVATION?

Innovation is the process of applying information, imagination and initiative to produce greater value from resources. In philanthropy, innovation means the development of a new product, process or approach to enable money to be given or invested more wisely or more easily.

We would like to see these innovations replicated or scaled up in the UK. And we would also like to see new innovations emerging. For this to happen, we believe that greater openness, bolder leadership and a more confident approach to trying new approaches is needed.

10 innovations in global philanthropy

Trend	Initiative	Country	Brief description
Open data	PoweredbyData	Canada	Working with funders and governments to create a whole new ecosystem for data collection, analytics and usage in the non-profit world.
	WASHfund.org	US	Online portal with information on funding flows, analysis of need and funding successes/challenges within the water, sanitation and hygiene (WASH) sector.
Transparency	Glasspockets	US	Advocacy around the importance of transparency and practical support for foundations to increase transparency.
Learning from failure	Shell Foundation’s lessons learned report	UK	Report tracking the foundation’s successes and failures in achieving scale or sustainability.
Lean philanthropy	Knight Prototype Fund	US	Fund giving small grants to innovative media and journalism projects to experiment and test ideas.
Collaboration	Dasra Giving Circles	India	Adaptation of established model of Giving Circles, conducting and publishing detailed research on specific issues and then providing capacity-building support to organisations within the portfolio.
Balancing funder power	Edge Fund	UK	Membership body sharing grant decisions with donors, community activists and grantees.
100% impact investing	KL Felicitas Foundation	US	Foundation investing 100% of its assets for varying degrees of social / environmental return.
Layered funding	Goodstart deal	Australia	Syndicate of multiple investors that converted for-profit business into highly effective social enterprise.
Online giving markets	Betterplace.org	Germany	Online giving platform where donors rate projects.

INTRODUCTION

Improving philanthropy is, in the simplest terms, about channelling more money and better money. Some exciting innovations in global philanthropy are helping to grow it in scale—bringing in more money—and to ensure resources are used more effectively—spending money more effectively. This achieves greater social impact, changing more lives for the better. It also helps donors to connect more directly, and more deeply, with the causes and organisations they support.

In this report, we look at some new approaches emerging in global philanthropy, and their potential to change the giving landscape. Achieving more and better philanthropy relies on a number of contributing factors, as shown in the diagram below. We have used this framework to select initiatives that we believe will really make a difference to the sector—rather than those that are fun and interesting but less transformative.

Some key trends that emerge in the report centre around transparency, sharing information and learning from failure, which between them contribute to **money being better spent**. The Shell Foundation’s lessons learned report illustrates that through tracking its successes and failures the foundation changed its strategy and implementation methods, and moved from a 80% failure rate with its grants to a 80% success rate.

Meanwhile, trends such as layered funding and 100% impact investing, result in **more money** being directed to the sector. The Goodstart deal in Australia, a syndicate of investors who converted a for-profit business into a highly effective social enterprise, is a great example of this kind of innovation.

We are confident that each initiative in this report encourages more philanthropy, better philanthropy, or both.

Improving philanthropy



Choosing the innovations

We worked with the world's leading philanthropy experts to identify ground-breaking approaches to giving, and highlight those we believe can make the biggest difference to how the sector works. We reviewed current literature, websites and articles and we interviewed 18 top experts from across every continent*. We are extremely grateful to all those who contributed their thoughts, opinions and suggestions. We were unable to incorporate all these ideas into the report, but we certainly had some interesting conversations.

We focused our research on the giving (or investing) of money rather than time, and on giving by foundations and individuals, rather than by businesses or governments. We concentrated on innovations in how people or foundations distribute their money, rather than what they fund and we excluded social innovations themselves.

The first stage of research and interviews produced a list of 42 initiatives. We then used the following criteria to select our top ten innovations:

- likely impact on improving philanthropy (increasing the quality and quantity of giving);
- ability to be replicated or scaled up in the UK;
- country of origin, seeking as wide a geographic spread as possible;
- target audience, focusing on individuals and foundations; and
- date of launch—how new or established the initiative is.

Finally, we returned to our 18 experts and asked them to pick their favourite innovation so that we could highlight our **Experts' Top Picks**, which were:

1. WASHfund.org (page 10);
2. Dasra's Giving Circles (page 19);
3. Goodstart deal (page 23); and
4. KL Felicitas Foundation (page 25).

See also Innovations to watch and some that did not make the final cut (page 28).

WHAT IS INNOVATION IN PHILANTHROPY?

Innovation is the process of applying information, imagination and initiative to derive greater value from resources³. In philanthropy, innovation means the development of a new product, process or approach to enable money to be given or invested more wisely or more easily. This may be donors learning from mistakes or involving grantees in funding decisions, rather than the types of innovation they might invest in, such as solar-powered cooking stoves.

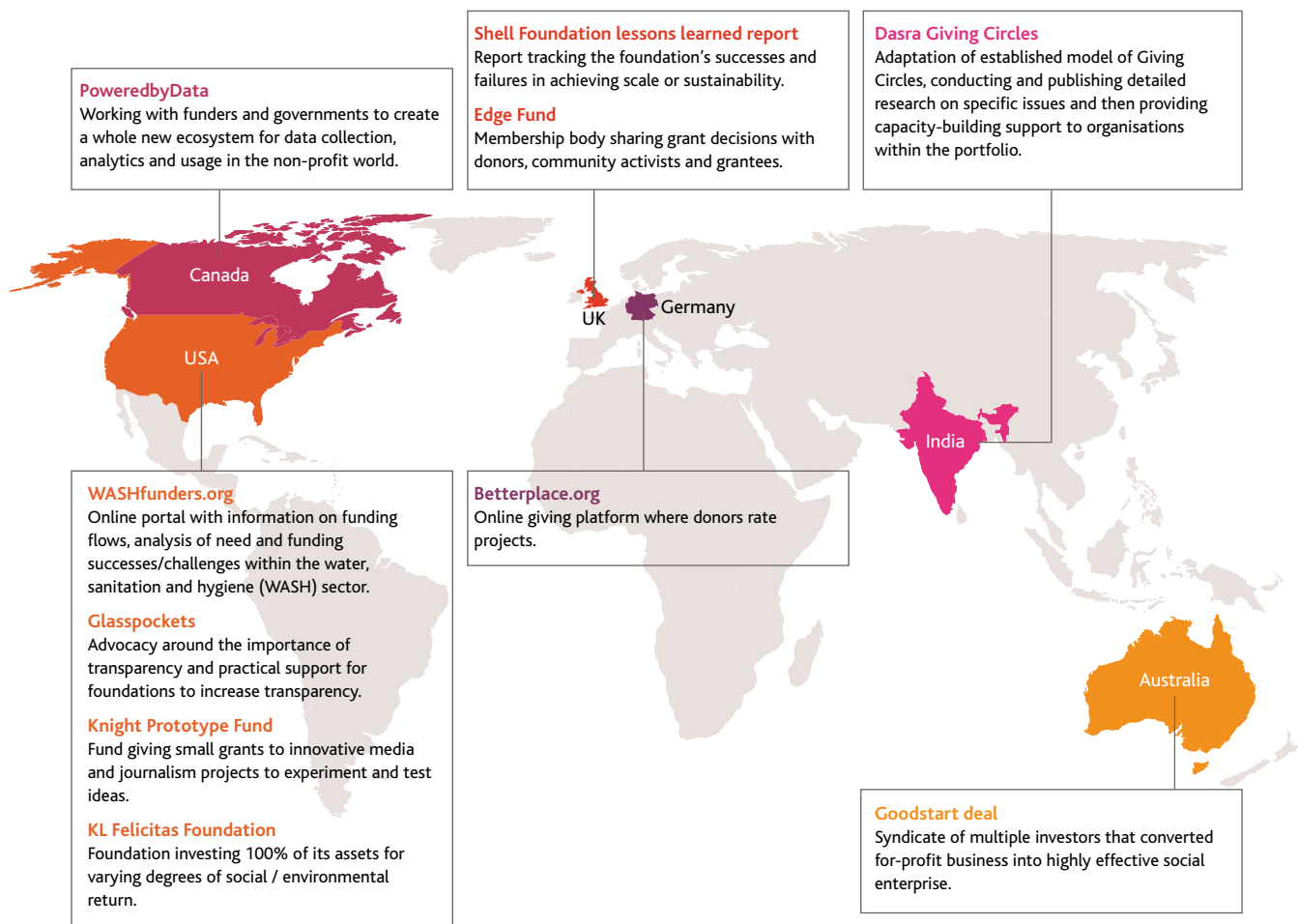
*See page 30 for a full list of interviewees. These interviews were conducted mainly by telephone in June and July 2014.

10 innovations in global philanthropy

The map below shows the global spread of our ten innovations. As you can see, innovation in philanthropy takes place throughout the world, although the majority of those highlighted in this report were born in the US, Canada and the UK. This comes as no surprise, given that philanthropy is more developed in these countries. Exciting developments are occurring elsewhere

too—across Asia, the Middle East and Latin America—but these tend to focus on the initial development of philanthropy rather than transforming existing philanthropy. Innovation is a two-way street: there are US-originated models being adapted to local contexts, such as Dasra’s Giving Circles, and it is likely that these will be exported back to the US or UK as new and improved models.

The global spread of our ten innovations



Top trends in philanthropic innovation

Nine key trends emerged from our research that we thought to be most exciting, relevant and likely to have a long-lasting contribution to more and better philanthropy. Each of our innovations is used to illustrate these trends over the course of the report. These trends are:

- Open data
- Transparency
- Learning from failure
- Lean philanthropy
- Collaboration
- Balancing funder power
- Layered funding
- 100% impact investing
- Online giving markets

Improving UK philanthropy

A key criterion when selecting concepts was their ability to be replicated or scaled up in the UK. All ten innovations meet this condition, but we think four areas in particular have the most potential to improve giving in this country.

Open data. The UK is already advanced in opening up data: the government is releasing more data for public use and many foundations are starting to share grant data, led by the Big Lottery Fund⁴ and initiatives like 360 Giving⁵. The UK is sophisticated in collecting and publishing data on the non-profit sector—many countries have no idea of the scale of their private giving, or cannot investigate the accounts of every registered charity. But we could go further. We would like to see initiatives like WASHfund.org replicated across other sectors. We would also like manipulable datasets of charity details and foundations' grants available to scrutinise and analyse, providing philanthropists with better information on which to base decisions.

100% impact investing. The UK is already one of the most generous nations, and a leader in social investment. But we would like to see a higher proportion of accumulated wealth being put to better use. There is no legal requirement for a particular percentage of a foundation's assets to be distributed as grants each year (compared to the US's 5% rule). We want to see more foundation assets seeking a social, as well as a financial, return. Of £17.5bn of private giving last year, £1.4bn (or 8%) was contributed by the top 100 family foundations⁶; of all funders, these are most likely to participate in social investment. If this group allocated just 10% of its overall assets (£33.8bn) to seek a social return, an extra £3.4bn would be working to contribute to social impact. (Although a crude calculation, this shows that much could be achieved by making existing funds work harder.)

Giving circles. These already exist in the UK, but could be improved. Dasra's model⁷—incorporating thorough research with funding and capacity-building support to selected, highly effective organisations—is a powerful one. It could address various perceived barriers to giving⁸, such as difficulty connecting with or understanding a cause, and mistrust of charities' efficient use of funds. It also draws on the peer effect and donor networking. This model could work particularly well with issues seen as 'difficult', such as violence against women, human trafficking or substance abuse. We think these circles have significant potential to encourage new donors to the field as well as helping existing donors connect deeply to a cause and to other donors—and at the same time making better funding decisions and scaling up effective organisations.

Layered funding: This approach of different sources of capital, with varying risk requirements, coming together to fund social outcomes exists in some forms in the UK, most notably through social investment bonds. But more could be done to bring together government, corporates and individual investors in syndicates to finance new initiatives or, as with Australia's Goodstart deal, convert failing for-profit businesses into thriving social enterprises.

OPEN DATA



What is it and what's new?

Open data is 'data that can be freely used, re-used and redistributed by anyone—subject only, at most, to the requirement to attribute and share alike'⁹. In short, it is available to anyone to use, for anything, for free.

Advances in technology mean that anyone with an internet connection can now access huge amounts of information anywhere. More data is being generated, captured, and shared than ever before. It is being made available in machine-readable and manipulable formats, and on platforms where different analyses can be shared and layered onto each other. In the UK, some government data is being made available for the first time, opening up data of particular relevance to non-profits.

Why does it matter?

Open data provides vast amounts of material that can be analysed and interpreted in countless ways, offering new information to philanthropists to inform their giving. It can be used to help funders identify areas of need, find gaps in service provision, avoid duplicating funding and find potential collaborators. Open data can also help funders find effective charities more quickly through sharing grantee databases, and can reduce the burden on grantees by sharing reporting processes.

*'Grass-roots action is essential.
Put the data up where it is:
join it together later.'*

Sir Tim Berners-Lee, inventor of the World Wide Web

Who's doing it?

The UK and Canada are leading the way in open data. The **Canada Revenue Agency** collects and publishes detailed financial, HR, and activity-level information about Canadian charities annually, and makes it available in machine-readable and manipulable format. This makes it easier for companies like **Ajah**¹⁰—experts in open and 'big' data—to integrate it with other data streams to share information on the non-profit sector. This contrasts with the US, where a lawsuit is being filed against the Internal Revenue Service to make its charitable tax forms (990s) available in open data format, rather than unmanipulable pdfs.

The UK government is releasing more data for public use and actively promoting and encouraging its innovative use. The **Justice Data Lab**¹¹, originally an NPC initiative that was developed by the Ministry of Justice, allows organisations working with offenders to access central re-offending data so they can assess their impact on re-offending. Its success shows what the non-profit sector can accomplish with the right data.

Other countries are also home to some interesting open data initiatives. **Trialogue**¹², a South African corporate social investment consultancy, overlaid data on demographics, charitable programmes and socio-economic data onto google maps to create a social map of South Africa, allowing funders to identify need, see who was working where and look for potential collaborators. Unfortunately, this promising project was unable to secure funding to continue. A similar project within a sector rather than a geographical location is **WASHfund.org**.

Innovation 1: PoweredByData

Organisation	Country of origin	Year of origin	Target audience
Ajah	Canada	2014	Governments, funders and charities
Why it's innovative		Contribution to more or better philanthropy	
Working with funders and governments to create a whole new ecosystem for data collection, analytics and usage in the non-profit world.		<ul style="list-style-type: none"> • Better information about charities • Understanding needs and gaps 	

PoweredbyData¹⁴ is on a mission to increase the amount of useful data about the non-profit sector worldwide, and make it more widely available. It was developed as the non-profit arm of Ajah, a Canadian company specialising in using open and 'big' data to help funders and fundraisers make informed decisions. Ajah realised that in order for non-profits to continue to make an impact in an increasingly complex world, the entire sector needs to improve the way it collects, shares and analyses data.

The Canada Revenue Agency already collects and distributes extensive data on the non-profit sector; PoweredbyData aims to help funders and governments globally to follow suit to collect and publish data about the non-profit sector that is open and can be used across different platforms. Its 'Regulator Regulator' campaign is a call to the non-profit sector in every country to work with its charity regulator to improve the collection and distribution of useful data. PoweredbyData is currently investigating the practices of charity regulators around the world and evaluating them based on the data they collect and the availability of that data. It then intends to identify barriers to improved data collection and publication and develop tools to help non-profits work with regulators and build a community of best practice.

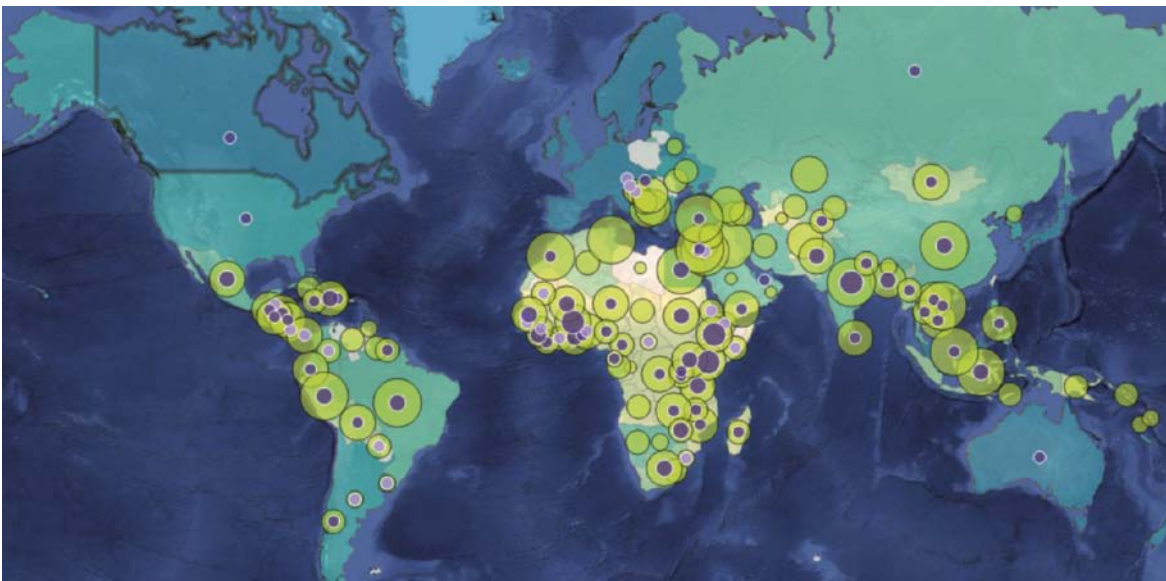
'In the United States, we are working to get access to the data that is currently available in Canada, and other countries are even farther behind. More and better data is essential to improve the functioning of the non-profit sector and I'm excited for PoweredbyData to bring those practices to the rest of the world.'

Lucy Bernholz, Visiting Scholar, Stanford University's Center on Philanthropy and Civil Society

Innovation 2: WASHfund.org

Organisation	Country of origin	Year of origin	Target audience
Foundation Center	US	2011	Foundations, NGOs, policymakers
Why it's innovative		Contribution to more or better philanthropy	
<p>Combines information on funding flows, analysis of need and funding successes/challenges within the water, sanitation and hygiene (WASH) sector to improve grant-making and enable collaboration.</p> <p>High potential for replication within other sectors.</p>		<ul style="list-style-type: none"> • Better information about charities • Learning from past / others • Finding / funding effective organisations • Understanding needs and gaps • Reduced duplication of funding / processes 	

Funding map of grants from WASHfund.org



WASHfunders.org¹³ is an online portal bringing together a variety of data, research and tools on water, sanitation and hygiene (WASH). Its main audience is donors, but as it is public-facing and free to access it is used regularly by all kinds of NGOs, policymakers, researchers and the public. WASHfunders.org is run by Foundation Center and funded largely through the Conrad N. Hilton Foundation, a leading funder in WASH.

The portal is particularly interesting for its combination of information on funding flows and analyses of need in the sector.

The portal combines 17 different data streams to produce an interactive mapping tool that allows funders to see information on who is funding which organisations and where. The tool can be used to search for funders working on particular WASH strategies, find transactional data on a particular area and look at countries' socio-demographic data. It also maps funding from foundations against multilateral agency funding to present information in a global context. As well as the interactive mapping tool, the portal provides other resources including case studies from funders and funder profiles that describe their different WASH strategies. There is also a toolkit and resources to monitor and evaluate WASH projects and a library of research into the sector.

WASHfunders.org demonstrates how useful and important open data can be to funders. Accurate and timely data allows funders to learn quickly about a strategy or area in which they are interested. It encourages funders to think strategically about their giving, as areas of need can be identified from the data. It has the potential to encourage more communication and collaboration between funders. The case studies allow funders to learn from each other, and the funder profiles bring more transparency to giving in WASH.

'If you define innovation as doing something differently, bigger or better, WASHfunders ticks all the boxes'

Cath Tillotson, Scorpio Partnership

TRANSPARENCY



What is it and what's new?

Transparency implies openness, communication and accountability; amongst foundations it can be a controversial subject. At a minimum, transparent foundations publish information on their guidelines and grants. Those at the furthest end of the spectrum publish details of their assets, income and investments, searchable databases of their grantees, effectiveness of their grantees' programmes, reports on how their grantees view them as funders, and even reports on their failings (see page 14 for more on this).

Transparency is not the norm even in high-disclosure environments like the US: of 11,000 foundations surveyed by the Foundation Center¹⁵, only 29% had a website of any sort. Thus those foundations that are committed to transparency are innovators in their field, paving the way for others to follow to improve the sector.

*'The richer the available data,
the better the investment decision.'*

Fran Perrin, Indigo Trust

Why does it matter?

Plenty of foundations see it as their right to remain private and opaque, not wishing to garner unwanted interest and applications. In our interviews, it was suggested that the rise in donor-advised funds in the US (which allow for complete anonymity) may be a backlash against constant pressure for transparency and accountability. To us, the benefits of transparency are clear—well-defined guidelines ensure more targeted applications, and sharing information and lessons is fundamental to effective partnerships and better decisions. Transparency can also encourage more and better giving by showing foundations what their peers are achieving.

Who's doing it?

A number of foundations in countries that have no requirement to publish data have taken it upon themselves to do so anyway. We heard about some Middle Eastern foundations, for example, that are sharing their grantee satisfaction reports with each other in the spirit of peer-to-peer learning.

The **China Foundation Centre** (CFC)¹⁶ has made a tremendous effort with its *Transparency Index*¹⁷, where it ranks foundations across 50 indicators spanning basic, financial, project and donor information. The UK is lucky to have this information readily available via the **Charity Commission**¹⁸, and other initiatives are underway to encourage more transparency in the grant-making community. These include the Indigo Trust's **360 Giving**—which aims to open up data on 80% of the UK's grants within five years—and the **Big Lottery Fund's** public information on every grant given since inception. However the global philanthropy sector would certainly benefit from the replication of approaches taken by **Glasspockets** and CFC. The Foundation Center's recent publication *Opening Up: Demystifying Funder Transparency*¹⁹ is a useful and practical guide for foundations on becoming more transparent.

Innovation 3: Glasspockets

Organisation	Country of origin	Year of origin	Target audience
Foundation Center	US	2010	Foundations
Why it's innovative		Contribution to more or better philanthropy	
A combination of advocacy around the importance of transparency and practical support for foundations to move in that direction. Some initiatives already underway in the UK, but more could be done to support UK foundations to become more transparent.		<ul style="list-style-type: none"> • Learning from past / others • Reduced duplication of funding / processes • Ease of giving • Peer pressure 	

Glasspockets²⁰ is an initiative of the Foundation Center in the US. By bringing a variety of data, resources, real-world examples and concrete action steps together Glasspockets champions the value of transparency and lets foundations see how being more open benefits not just their beneficiaries, but themselves.

One of Glasspockets' tools allows foundations to measure their own online transparency compared to their peers by assessing their current practice against 23 indicators, such as availability of grant-making information, governance policies or performance measurement. This *Who has glass pockets?* tool is interesting because it was developed by reviewing the websites of hundreds of foundations to establish the most commonly available information, so it also acts as a useful inventory of current online transparency practices. Glasspockets' transparency heat map illustrates the frequency that different types of information appear on foundation websites.

Glasspockets also provides support for foundations to report their grants electronically and through its online service, IssueLab, it encourages funders to publicly share their knowledge by contributing the evaluations, case studies and research reports that result from their work. Information is also provided about how foundations can use social and digital media to communicate more openly and frequently about what they do—a useful guide in an increasingly digitised world. The Glasspockets blog, *Transparency talk*, regularly updates foundation audiences about emerging and best practices in philanthropic transparency.

LEARNING FROM FAILURE



What is it and what's new?

Failure in philanthropy can have a range of meanings; in extreme cases, it can mean funding a fraudulent charity. More often it can be defined as a grantee underperforming against milestones, or not helping as many people as initially intended. In the rare cases where a funder has very clear funding objectives or a theory of change, it can also mean failing to achieve those goals. While failure may not be a positive experience, it can be worthwhile to acknowledge and some funders are now seeing failure in a new light, becoming more open about their experiences and realising the benefits of talking about it.

Why does it matter?

Being honest about failures can help prevent the same mistakes being made again, encourage knowledge-sharing and create space for new ideas to develop as people are less afraid of blame when things go wrong. Willingness amongst funders to discuss failure is still rare—but when it is discussed, it can be a useful way to share knowledge, innovate, learn and ultimately improve in order to achieve greater impact.

Who's doing it?

The US is the frontrunner in the idea of failure in philanthropy, with organisations and campaigns springing up to help the non-profit sector 'fail forward'. Conferences on failure now take place regularly in the US and campaigns such as 'Be Fearless'—run by the **Case Foundation**²¹—encourage non-profits to take more risks. The idea of failing forward has been pioneered by

Engineers without Borders (EWB)²² in Canada, which in 2008 published its first failure report when it realised no one else in the development sector was talking about their mistakes. EWB went on to create the website *Admitting failure*²³, where failure stories in development are shared publicly for others to learn from.

There are many barriers to discussing failures in the sector publicly and privately. The dynamics of power between funders and charities put many charities off admitting failures. There is an incentive to keep quiet to prevent the media getting hold of a 'failure' story and further undermining public faith in the non-profit sector. Funders may fear damage to their reputation through public disclosure of failure—although they may be willing to share their failures with a select group of peers. The **European Venture Philanthropy Association (EVPA)**²⁴ raised issues of failure at a meeting of various CEOs and found everyone willing to talk about it with each other. But when EVPA tried to generate discussion of failure at a conference, attendees would not participate in such a public forum. We have found that reputational risk is a particular concern to older generations in family foundations and to more conservative funders in Europe and Asia.

Nevertheless there is a move amongst foundations to be more honest about failure. The **King Baudouin Foundation**²⁵ in Belgium has a 'Best Failure Award'—for anything from choosing the wrong partner to adopting the wrong media approach. The award is a form of knowledge management for the foundation and allows it to learn from what didn't work. The **Shell Foundation** stands out as being particularly honest, and public, about its failures as well as its successes.

Innovation 4: The Shell Foundation’s lessons learned report

Organisation	Country of origin	Year of origin	Target audience
The Shell Foundation	UK	2010	Foundations
Why it’s innovative		Contribution to more or better philanthropy	
An honest account of what the foundation learnt in its early years of grant-making when its failure rate was high and how it has adapted its strategy as a result.		<ul style="list-style-type: none"> • Learning from past / others • Peer pressure 	

The Shell Foundation was established in 2000 by the Shell Group and registered as a UK charity. The foundation works to address global development issues linked to energy, mobility and sustainable job creation. It focuses on developing and scaling up enterprise-based approaches to these challenges.

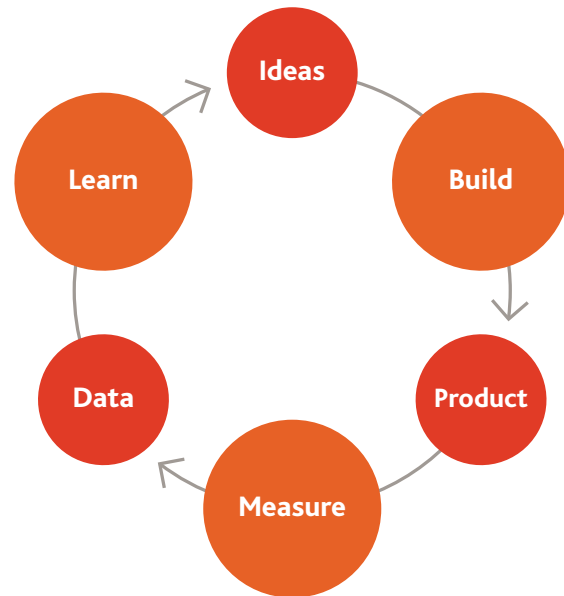
In 2010 the Shell Foundation wanted to assess how it was doing in comparison to similar foundations, and asked a simple question: *‘Has our performance to date in achieving scale been good, average or poor when compared with our peers?’* However, the foundation was unable to answer this question because it could not find information—negative or positive—on its peers’ performances. Other foundations either did not assess their performance at all or did not make their assessments public. The Shell Foundation was surprised by this, and decided to publish a report, *Enterprise Solutions to Scale*²⁶, assessing its own performance that would share its successes and failures with everyone.

The report is a unique look into the foundation. It describes how the foundation tracked US\$78m of its grants, and by acknowledging what wasn’t working early on was able to learn and adapt its strategy. During its inception phase—from 2000 to 2002—80% of the projects it supported failed to achieve

either scale or sustainability, mainly due to poor execution or a lack of market demand for the products and services provided. The foundation changed its strategy to work closely with a small group of entrepreneurial pioneers, providing a blend of early-stage support (patient grant, business skills and market links) to help them achieve viability and expand on a global level. By 2010, thanks to this new approach, 80% of the foundation’s grants were successfully meeting its criteria of achieving scale or sustainability.

The Shell Foundation’s story shows that when an organisation adopts a consistent approach to assessing its performance and measuring its impact, failure can be identified early and learnt from quickly, causing minimal damage. The foundation has been transparent and honest about its failures and has proved that the value in getting things wrong is getting them right later.

LEAN PHILANTHROPY



What is it and what's new?

The 'lean' methodology comes from Eric Ries' book, *The lean startup*²⁷, and has been adopted across the technology startup industry. It favours testing and experimentation over elaborate planning, customer feedback over intuition and iterative design over traditional 'big design upfront' development. It is now being applied to the charitable sector, with early-stage non-profits encouraged to adopt lean principles to improve their social impact: devise a way to tackle an issue, build the most minimally viable way to test their ideas, and learn from constant iteration towards a solution that really works. This process of build-measure-learn turns on its head the traditional approach of investing significant time, effort and funds before testing whether they will fail. Plenty of charities, particularly technology-oriented, are now adopting the principles, and a small group of foundations are pursuing a more 'lean' approach to funding.

Why does it matter?

A lean approach offers a way for philanthropists to test their assumptions about how and why an initiative will work before developing it fully. It requires a degree of risk-taking, a commitment over a sustained period of time, and an openness to initial failure or poorer outcomes. But the end reward can be a highly effective solution to an issue, developed gradually over time with input from those it seeks to help. For funders willing to take a risk on early-stage initiatives, it has the potential to pay real dividends, and can also save time and money by testing approaches and rooting out those that won't work before they have been fully developed.

Traditionally, grant-makers fund tried and tested models to give them confidence they will get impact for their money, but this may be a barrier to encouraging innovation and experimentation in the charity sector—more UK foundations adding an element of lean grant-making to their funding could spark an increasing number of new ways to tackle social issues.

Who's doing it?

There is an emergence, albeit small at present, of funders putting aside funds specifically to invest in early-stage projects, encouraging experimentation and learning. Examples include **The Gates Foundation's Grand Challenges Explorations Grants**,²⁸ which not only invest in innovative early-stage projects but also operate an agile, accelerated grant-making process with very short application forms and no preliminary data required. Silicon Valley is adapting its expertise in start-up funding to non-profits—**Fast Forward**²⁹ is a new accelerator for non-profits using software to address health, education and poverty issues, where as well as funding, organisations receive education, mentoring and connections to help them launch their idea. The **Knight Foundation's Prototype Fund** is another example of funding to test core assumptions before building an entire project.

Innovation 5: Knight Prototype Fund

Organisation	Country of origin	Year of origin	Target audience
The Knight Foundation	US	2012	Foundations
Why it's innovative		Contribution to more or better philanthropy	
Encourages charities to innovate and experiment with prototypes through early-stage, quick, small grants.		<ul style="list-style-type: none"> • Encouraging social innovation 	

The Knight Foundation Prototype Fund³⁰ helps grantees explore early-stage ideas by enabling them to experiment, build and test initiatives. The fund gives small grants—no more than \$35,000—to innovative ideas in media and journalism. Applications are typically accepted quarterly, and the process is quick and easy: applicants are required to answer five questions about their idea. This contrasts with traditional grant-making processes, which whilst usually more detailed and thorough, can be slow and burdensome. The simple application coupled with regular small grants has allowed the foundation to adjust its practices to keep up with the pace of innovation.

Once funded, grantees are given six months to take their project from idea to demonstration. They begin by participating in a three-day workshop on rapid iteration, experimentation and design. Teams come together after six months to present their prototype and share their experiences. Examples of recent ideas that received funding include a project that will map data from local law enforcement agencies to show where crime is happening and send alerts to neighbourhood crime watch groups; and MLRun, a project to help journalists create deeper stories through analysing large datasets.

The Prototype Fund challenges some established practices in grant-making by adopting a lean methodology. In making smaller grants at an earlier stage, the fund gives grantees freedom to experiment, iterate and change direction. Building, measuring and learning are built into the grant, so alongside mistakes, discoveries are made.

As one part of a larger grant-making strategy, the Knight Foundation's Prototype Fund is an innovative approach that other foundations could replicate. This type of funding is only appropriate in certain circumstances—it suits charities wishing to test out new ideas, but not established projects—so it may be a good complement to a foundation's other funding streams. It is a brave move for a foundation, acknowledging that some—possibly a high proportion—of its funded projects will lead to nothing. But it is a great way to find the successful few that go on to yield significant results.

COLLABORATION



What is it and what's new?

The idea of a group of donors pooling their funds and giving collectively is not new. Giving circles have been around for decades, particularly in the US where over 600 such circles involve over 12,000 people. These circles exist in different forms—some are women-only, some focus on specific causes or communities, some involve a handful of members, others hundreds—and they exist for different reasons, from encouraging newcomers to philanthropy to increasing awareness of specific issues or sharing knowledge. What is exciting is the way they are being replicated across the world, adapted to local contexts, and emerging as improved models.

Why does it matter?

Collaborative funding enables exchange of information, learning between funders and reduced transaction costs. This is particularly relevant in social investment, where due diligence can be shared between funders and investment risk spread across a spectrum of investors (see page 24 for more on layered funding). Research³¹ shows that giving circles encourage members not only to give more, but to give more strategically and to more progressive causes, such as minority needs or advocacy work. This peer effect can have a significant impact on both sides of improving philanthropy, encouraging more and better giving.

'Collaboration is no longer just about co-funding. Good collaboration has the power to create systemic change.'

Etienne Eichenberger, Wise

Who's doing it?

Collaboration is not limited to individuals. Although the majority of foundations operate alone, many increasingly recognise that tackling widespread social issues requires their collective expertise and resources. This has led some to collaborate around specific themes—for example **Oceans 5**³² is a group of international funders dedicated to protecting the world's oceans. It has also led to collaboration around specific geographies, like the Nigerian-based **Ikoyi Initiative**—a collection of African funders keen to shape their continent's economic development. Funders are also uniting where they share a common approach: **Big Bang Philanthropy**³³, a group of 13 funders committing at least US\$1m each per year, has a collective focus on scaling up impact in the developing world to fund global poverty solutions. The social impact investment taskforce³⁴ established by the G8 takes a collaborative approach to growing the global market for social investment, bringing together governments in each country with leading figures from finance, business and philanthropy. Already there is significant growth in impact funds around the world, with over 300 now listed on the Global Impact Investing Network's **ImpactBase**³⁵ database—another way to pool individuals' money, for investment rather than donations.

Some of the newest developments in philanthropy are occurring in collaboration around infrastructure and data. Technology is enabling the sector to develop shared standards—for example organisations operating in the same area working towards, and reporting against, a mutually agreed set of outcomes (read more in NPC's report on shared measurement)³⁶, or common tools to report on impact measurement, such as **Big Society Capital's** outcomes matrix³⁷. We cover shared data in greater detail in our discussion of open data on page 8.

Innovation 6: Dasra Giving Circles

Organisation	Country of origin	Year of origin	Target audience
Dasra	India	2010	Individual donors
Why it's innovative		Contribution to more or better philanthropy	
<p>Adapting established model of Giving Circles, conducting and publishing detailed research on specific issues and providing capacity-building support to organisations within the portfolio.</p> <p>High potential for replication in the UK to bring together groups of impact-oriented donors, particularly around gritty issues.</p>		<ul style="list-style-type: none"> • Better info about charities • Enjoyment • Connecting with a cause • Finding / funding effective organisations • Understanding needs and gaps • Reduced duplication of funding / processes 	

Dasra Giving Circles³⁸ have a similar structure to others across the world—a group of donors committed to a particular cause. What is innovative is the upfront research that enables the circle to maximise its impact and overcome donors' trust issues, combined with the funder-plus support for portfolio organisations.

Each circle focuses on a specific issue, such as child malnutrition, sex trafficking or girl-child education, and is comprised of ten philanthropists who each agree to commit about US\$50,000 over three years to fund, build capacity and monitor a particular organisation. Dasra spends eight to twelve months on research and due diligence before giving any funding. This enables it to identify gaps in the sector, understand how to address an issue and find effective organisations in India working in that area. Dasra then creates a shortlist of organisations by examining their impact and potential to be scaled up, and helps them create three to five year business plans to present to the giving circle. Circle members choose one organisation to fund for the next three years. During the funding period, Dasra provides capacity-building support to the organisation on strategy, impact assessment, finance and fundraising. Circle members are updated on organisations' progress quarterly, but can engage further with the organisation if they wish. The process of setting up a circle is so thorough that it overcomes issues of trust and security in giving; often significant barriers for individual donors in India.

By establishing a strong knowledge base in a particular area Dasra helps donors give more strategically—particularly to issues that receive less funding due to lack of awareness and knowledge. Detailed analysis and comprehensive due diligence mean donors are confident their giving will make an impact, and Dasra's continued support to organisations reassures donors that their chosen project will be sustainable.

'This is an evolutionary development of giving circles globally and a good example of innovation potentially flowing south to north.'

Dr Rob John, Visiting Senior Fellow at the Asia Centre for Social Entrepreneurship & Philanthropy, NUS Business School.

BALANCING FUNDER POWER



What is it and what's new?

In the US, debate has been raging around 'strategic philanthropy' and whether clearly-defined, outcome-oriented and measurement-focused giving is all it's cracked up to be. Some feel that funders are controlling the agenda too much, and could inadvertently encourage mission drift as grantees provide or develop services to suit funders. The idea of funders sharing power with grantees—around strategic as well as funding decisions—is emerging in response to this debate, with some, like **Edge Fund** building the power of grantees alongside that of donors. The boundary is starting to blur between philanthropic funding and participative decision-making, facilitated by new technology.

Why does it matter?

An estimated 60% of US foundations, accounting for one third of all grants, do not accept unsolicited proposals³⁹—we suspect a similar situation in the UK. Some have tremendous knowledge, expertise and networks within the communities they serve, but others less so. A foundation's beneficiary communities may know best where money is most needed and which approaches work well. Accepting feedback from those who really know could enhance the quality of grant-making.

Who's doing it?

An increasing number of donors are engaging constituent voices. They are listening to their grantees, seeking opinions from beneficiaries, and incorporating that feedback in their decisions. Grantee perception reports are a first step, to find out how those they fund feel they could work better, but funders need to follow this by incorporating the findings into their strategies—for example providing core funding or multi-year grants. The progressive **Oak Foundation** not only published the full content of its grantee perception report, but changed its grant-making as a result, streamlining application processes and bringing capacity-building and organisational support to the fore⁴⁰.

The next step is seeking and incorporating beneficiary voices. Many funders ask for evidence that their grantees involve beneficiaries in shaping their activities. But really innovative funders are themselves setting objectives and designing programmes based on feedback from charity beneficiaries. The **Youth Truth initiative**⁴¹, initially founded by the **Center for Effective Philanthropy**⁴² and developed in collaboration with various US foundations, aims to better understand from students themselves what is and isn't working in their schools to help school leaders and education funders improve their efforts.

Innovation 7: Edge Fund

Organisation	Country of origin	Year of origin	Target audience
Edge Fund	UK	2012	Individual donors
Why it's innovative		Contribution to more or better philanthropy	
Encouraging systemic change at a grassroots level by involving grantees in decision-making processes.		<ul style="list-style-type: none"> • Involving grantees in decision-making • Understanding needs and gaps 	

Edge Fund⁴³ was created in 2012 and provides small grants to grassroots organisations that focus on injustice in marginalised communities. These groups can often struggle to secure funding through traditional routes, as they can be considered too radical or informal, but Edge Fund believes they are best placed to create real, systemic social change.

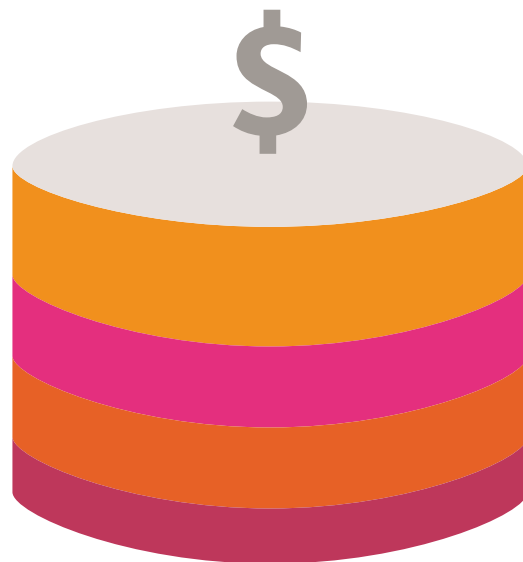
Edge Fund operates as a membership body. Members can be donors, community organisers and local activists, or grantees—in some cases all three. Having such a diverse membership body means the power normally held by funders is distributed to every member, all of whom have an equal say in how the fund operates and which organisations receive grants. The fund brings all its members together to discuss grant proposals, which helps to raise awareness and increase understanding of others' issues. Potential grantees also find the process highlights connections between organisations and opens up new networks to them.

Edge Fund is an exciting new initiative working to overcome the unequal power dynamic of traditional philanthropy. Its methods help shift power away from the traditional giver and receiver model, leading to increased collaboration across its portfolio.

'Edge Fund is a breath of fresh air in the philanthropy sector. Engaging funders and activists together in deciding how to allocate funds offers a new and radical approach. It shows a way for how philanthropy can move beyond paternalism and doing good to become a real force for social change.'

Stephen Pittam, former Trust Secretary of Joseph Rowntree Charitable Trust and current Trustee of Global Greengrants Fund

LAYERED FUNDING



What is it and what's new?

Layered funding is about different types of funders coming together to back a project with different financial models. This is different from the kind of collaboration we talked about earlier because it combines funders with different approaches and priorities: more traditional funders providing grants and subsidies work alongside venture impact investors, each with their own requirements around risk and return⁴⁴. Layered funding may involve individuals co-funding with foundations and government, or private foundations with corporates, for example. Philanthropic grants often form the first layer, with social investment providing the next—with the expectation of a financial as well as social return.

Why does it matter?

Layered funding combines cross-funder collaboration with impact investment. Putting these two approaches together provides different sources of capital united around a clear social objective; an approach that has the makings of something really powerful with the ability to create systemic change. In layered funding, philanthropic capital takes the highest risk and seeks the lowest return, but can be the cornerstone of a deal to bring in other sources of investment which can allow effective solutions to major social problems to be developed and scaled up much more quickly.

Who's doing it?

Living Cities⁴⁵ in the US brings together private foundations and financial institutions, combining different sources of capital to improve the lives of low-income people and the cities in which they live. **Social Impact Bonds**⁴⁶ are a good example of layered funding financing innovation in service delivery: foundations provide a layer of capital with either sub-market or zero returns to reduce risk for, and leverage additional capital from, more commercial investors (although it could be argued that charitable foundations shouldn't be fully subsidising commercial investors' risk). The **Global Health Investment Fund**⁴⁷ is a new way to finance global health innovations through a diverse investor base that includes institutional and individual investors, multilateral agencies, governments and companies. In this model, investors' losses are partially protected by the commitment of the Gates Foundation and SIDA of Sweden.

One highly innovative initiative is **Goodstart**⁴⁸, which works for high-quality, inclusive early learning across Australia. The Goodstart deal is an example of a syndicate forming to purchase an existing for-profit enterprise using layered finance from across different funding sources, resulting in an effective social enterprise.

'This is not just about private capital going into non-profits—but turning for-profit businesses into social enterprises. Where is the next Goodstart deal?'

Duncan Peppercorn, Social Ventures Australia

Innovation 8: Goodstart deal

Organisation	Country of origin	Year of origin	Target audience
Syndicate put together by Social Ventures Australia	Australia	2008	Foundations, individual donors, corporates and government
Why it's innovative		Contribution to more or better philanthropy	
Clearly-defined and commonly-agreed social objectives, layered funding with a variety of investors receiving different levels of financial return and collective expertise converting a for-profit business into a highly effective social enterprise. Likely to see more of this syndicated approach.		<ul style="list-style-type: none"> • Sharing the risk • Using more / all assets 	

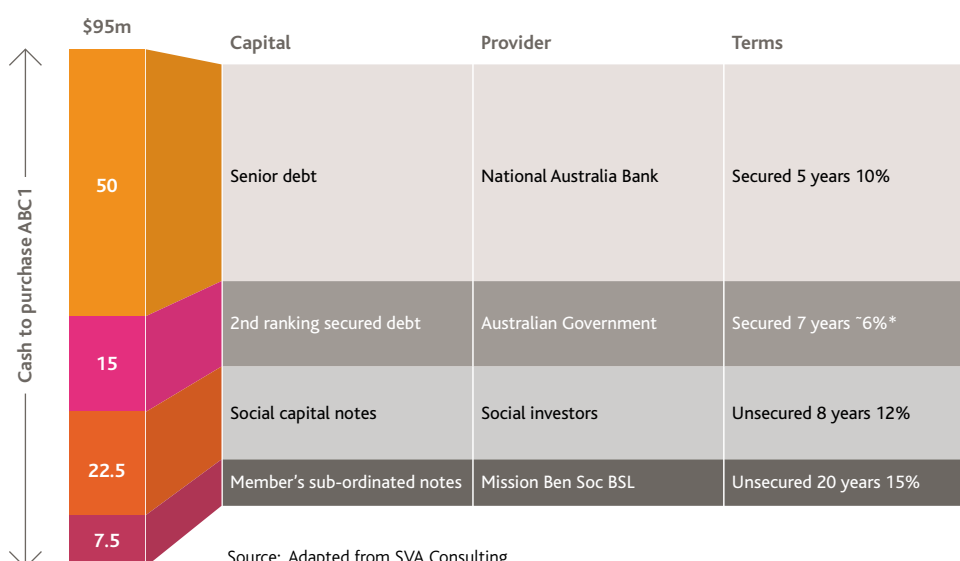
In 2008 Australia's largest provider of childcare, ABC Learning, went into administration and its childcare centres went up for sale. This prompted four organisations—Social Ventures Australia (SVA), the Benevolent Society, the Brotherhood of St Laurence and Mission Australia—to come together and form the Goodstart Consortium. The consortium registered as a non-profit that aimed to transform early learning in Australia. With a clear goal, strong leadership and a high level of trust in each member, the consortium was able to leverage its networks and bring in others to help finance its venture.

The consortium decided the best way to attract funding was through layered funding, which could accommodate the different risk appetites of investors. The National Australia Bank agreed to provide senior debt to the syndicate; next came a layer of finance

from the Australian government in the form of a loan where the principal could be repaid at a much later stage. A final layer of finance came from 41 social investors—a mix of individuals and foundations. To attract these investors the consortium created a new financial instrument called a social capital note, where investors received a 12% rate of return. Through these multiple investors, the syndicate managed to secure AUS\$95m in cash to purchase the 678 childcare centres, as well as AUS\$70m to fund the ongoing operations of the new social enterprise.

Adopting a layered funding model was pioneering for a non-profit in Australia. Goodstart is now one of the country's most successful social enterprises, showing what can be achieved with clever collaboration across sectors.

Goodstart secured AUS\$95m cash to purchase 678 ABC childcare centres



100% IMPACT INVESTING



What is it and what's new?

Impact investing is a form of socially responsible investing, where investments into companies, funds or organisations seek a social or environmental return as well a financial one.

While this paper focuses on philanthropy, impact investment is crucial to some of the trends we have focused on, including collaboration and layered funding. Most innovations in impact investment can be grouped into one of four themes: financing vehicles (funds, bonds, social impact bonds); information or transactional platforms and networks for investors (Global Impact Investing Network, Kiva, Impact Investment Exchange⁴⁹); standards around measurement (IRIS indicators⁵⁰); and fiscal or legal developments (for example tax incentives).

We are particularly interested in foundations that have previously been traditional grant-makers taking an impact investing approach with some, or all, of their assets. Traditionally, foundations invest their assets to gain the best financial returns and distribute the income as grants. Programme-related investments (PRI) are a step up, where investments aligned with the foundation's social purpose are made from the foundation's distribution pot (not its capital) and hence may seek a sub-market financial return. Mixed-motive, or impact-first investments, fit between the two approaches—the investment seeks a social or environmental outcome but may not be closely aligned to the foundation's objectives, and can be made using its asset base⁵¹. The vast majority of people investing for impact are only using a portion of their money for this purpose.

Why does it matter?

Some foundations, known as 100% impact investors, are seeking to use their entire asset base to achieve varying degrees of social impact; it is this approach that we feel is particularly innovative and could lead to more and better philanthropy. These foundations can potentially put all their resources to work towards social change, rather than just those that they distribute as grants or set aside for social investments. 100% impact investing doesn't just mean foundations investing in ethical funds which screen out the bad things (for example tobacco and arms), but actively looking for social impact across all their different asset classes, even cash. Dedicating a larger percentage of UK foundations' assets to impact investment (albeit with varying degrees of social returns) could lead to significantly greater social impact.

Who's doing it?

Charly and Lisa Kleissner, through their **KL Felicitas Foundation**⁵² are a prime example of 100% impact investors. A small but growing number of other foundations likewise take this 100% approach to impact investing. The **F.B. Heron Foundation**⁵³ also stands out among US foundations as committed to earning a social return on all its assets.

The UK has a handful of foundations operating in this way, willing to make impact investments from their endowments, such as the **Panahpur Foundation**⁵⁴, but we expect more will move in this direction as the regulatory environment develops and the track record of such investments grows.



Innovation 9: KL Felicitas Foundation

Organisation	Country of origin	Year of origin	Target audience
KL Felicitas Foundation	US	2000	Foundations
Why it's innovative		Contribution to more or better philanthropy	
By seeking a social return with 100% of its assets, the foundation maximises its impact and drives an increase in total global assets invested in this way by educating, influencing and supporting other foundations. High potential for more UK foundations to adopt this approach.		<ul style="list-style-type: none"> • Using more / all assets • Peer pressure 	

In 2000 Charly and Lisa Kleissner put US\$10m into their family foundation, the KL Felicitas Foundation. From the outset they made a commitment to allocate 100% of this endowment to holdings consistent with the values and purpose of the foundation, which is to support early-stage social enterprises to develop and grow sustainably.

The foundation has constructed its portfolio to seek a social or environmental and financial return across all of its asset classes—cash, bonds, equity, hedge funds and real assets. 3% of its portfolio is dedicated to early-stage, high-impact investments, 2% to grants to support the impact ecosystem, and the rest to achieve a market, or better, return.

As well as making their own assets work for maximum social impact, the Kleissners are driving the 100% impact investing movement through promoting their approach and educating and empowering other investors. They created the 100% Impact Network, a peer network of around 40 family offices, high-net-worth individuals and foundations that have committed all their assets to positive social or environmental impact—the network has combined assets of over US\$3.5bn. The KL Felicitas Foundation's dedication to transparency also helps to promote

impact investing. By publishing its investment strategy and information on its portfolio's performance⁵⁵, the foundation has demonstrated that impact investments can perform at, or better than, industry-standard financial benchmarks. It is due to publish a report later this year on the social impact achieved across its portfolio.

The KL Felicitas Foundation has shown that aligning 100% of assets with social values through impact investing is an achievable and successful strategy that others could replicate. The leadership that Lisa and Charly demonstrate in encouraging others to follow suit is admirable and likely to be transformative.

'This initiative has the potential to transform how foundations are dealing with their investments, dramatically increasing the potential of creating social impact from money that is currently invested in financial markets'

Paula Jancso Fabiani, IDIS, Brazil

ONLINE GIVING MARKETS



What is it and what's new?

Online giving markets—platforms where users can either invest or give directly to projects or organisations, often across the world—have been around for a number of years. In 2008 the Hewlett Foundation analysed 55 websites that existed to facilitate online giving, although its research found that 10 sites represented 80% of web traffic⁵⁶. Today, online giving platforms come in a variety of forms and are evolving all the time.

Why does it matter?

Donors increasingly want greater engagement with beneficiaries, but this can be hard to achieve through traditional forms of giving. Donors are increasingly connecting directly with those they fund, using technology and social media to enhance this relationship rather than simply providing the means for an individual to donate. One of our interviewees wondered whether technology could be so disruptive that eventually the need for large charities might be obsolete.

Who's doing it?

Online giving platforms come in many forms. Some, such as canadahelps.org, simply list organisations based on charity regulators' information. Others vet or endorse the projects listed, either themselves or through networks and partners—these include globalgiving.org, giveindia.org and localgiving.com. Some aim to provide loans rather than donations, including Kiva.org and lendwithcare.org, which sit alongside crowdfunding platforms that allow organisations and individuals to find funding. Others allow people to campaign using their collective voice, through sites such as avaaz.org and change.org.

However many of these sites miss the opportunity to help donors give more effectively—given many of their business models are based on a percentage of transactions, they are incentivised to display a wide pool of charities, from grassroots to global behemoths. They do not necessarily help donors make better funding decisions based on impact and evidence.

There are two platforms that strike us as particularly innovative in this regard. One is **GiveWell**⁵⁵ in the US, which identifies a handful of outstanding charities based on in-depth research, and is exceptionally transparent about its processes and mistakes. The second innovation comes from Germany, where **betterplace.org**'s platform focuses on transparency, and allows other donors to rate projects themselves to build up a collective review system.

Innovation 10: betterplace.org

Organisation	Country of origin	Year of origin	Target audience
betterplace.org	Germany	2008	Individual donors
Why it's innovative		Contribution to more or better philanthropy	
An online giving platform focused on transparency, enabling dialogue between donors and projects and building trust. Donor-rating system could effectively be replicated on other platforms.		<ul style="list-style-type: none"> • Ease of giving • Better information about charities • Finding / funding effective organisations 	

betterplace.org is an online platform where all kinds of charity projects can create a profile and present themselves to potential donors. Anyone can register a project and request money or time. The website sets out some conditions—projects must be a concrete initiative to improve current living conditions—but they range from an individual seeking donations for a friend's cancer treatment to a charity working with refugees in Syria. betterplace.org does not vet projects on the site; instead it focuses on creating a culture of transparency and establishing connections between donors and projects. It does this by creating a 'web of trust' between projects and donors.

This web of trust begins with projects maintaining an up-to-date profile, where they are transparent about their activities and where donations go. For each one, a project manager has to be on hand to respond to potential donors. Users can view profiles, ask questions and decide whether they trust the project enough

to donate. Donors can then rate the project and post comments online. Other users can see who has donated to a project, how they have rated it, and any comments. They use this information to help them decide whether they also trust the organisation enough to donate—reinforcing the web of trust.

Over 500,000 donors are registered on betterplace.org, and 500 new projects are added every month. Though many people do use the site to find projects and make donations, the web of trust has been difficult to build with fewer users than expected rating and commenting on projects, despite project managers updating project news, uploading pictures and being on hand to answer questions. Nevertheless the idea is valuable and we believe it has the potential to be developed and replicated elsewhere for the benefit of both donors and charities.

Example projects on betterplace.org

The screenshot displays four project cards from the betterplace.org platform:

- "Schulen für Afrika"**: An aid project in Landesweg, Rwanda. It is tax deductible in Germany. The progress bar shows 3000 units raised.
- Studiengebühren für Michael**: An aid project in Nairobi, Kenya. It is tax deductible in Germany. The progress bar shows 771 units raised, with a note "Only 612 missing".
- DENKEN SCHENKEN! - Lernen, Gesellschaft zu gestalten.**: An aid project in Bernkastel-Kues, Germany. It is tax deductible in Germany. The progress bar shows 12 units raised.
- Spende für die Verpflegung behinderter Kinder in Ruanda**: An aid project in Nijarama, Rwanda. It is tax deductible in Germany. The progress bar shows 15 units raised.

3 INNOVATIONS TO WATCH

During our research we found a number of exciting innovations still in the exploratory phase. These ideas impressed us for their inventive approaches, although they are not yet advanced enough to warrant a full case study. We look forward to seeing them develop further.

Clarmondial

Clarmondial⁵⁸ is an independent Swiss investment advisory company that focuses on sustainable solutions. It has created a new vehicle for giving called the 'guaranteed philanthropy structure', an approach to impact investing that also echoes elements of layered funding. Donors choose to be one of two types—collateral or conditional—depending on their appetite for risk and desired role in the programme. Conditional donors transfer the funding required to run the programme, and collateral donors match this amount by depositing money into an account as a guarantee. If the programme succeeds, the collateral donors can re-use the money to continue to support the programme, and if the programme fails the conditional donors get a full refund from the money guaranteed by the collateral donors. Clarmondial anticipates that this structure can be used in any project that has a measurable and auditable outcome, runs for a period of three to five years, has a budget of at least US\$2m and is attractive enough to raise philanthropic funding.

Mirror Funds

Mirror Funds are a new vehicle for giving being set up by Guidestar⁵⁹ in the US. The funds allow individual donors a chance to 'give like Gates': they can mirror the donation choices made by the Bill and Melinda Gates Foundation, or another foundation of their choice. *Mirror Funds* acknowledge that certain foundations are experts in particular areas, like WASH or health, and that individual donors might want to take advantage of this expertise and give in a way that reflects these larger funders. Guidestar aims to curate a list of organisations that give to certain areas and then handle the distribution of funds to those organisations from individual donors.

Basic Registry of Identified Global Entities (BRIDGE)

BRIDGE⁶⁰ is a new collaborative open data project in the US between the Foundation Center, Global Giving, GuideStar and TechSoup Global. It aims to create a unique identifier for non-profits across the world, beginning with the three million registered in the databases of the four founding organisations, to allow data about them to be collected and shared more widely and easily. BRIDGE will also exist as a database where non-profits will be able to apply to register for their own unique identifiers. BRIDGE hopes to revolutionise information-sharing in the non-profit and global development sectors by enabling better tracking and understanding of where philanthropic donations go, identifying opportunities for collaboration, reducing duplication and building an environment of transparency and honesty.

Some innovations that didn't make it

We explored further themes that we found to have a less widespread influence. For example, we were interested in whether the sharing economy was having an impact on giving, given the rise of organisations like AirBnB and Uber, but it seemed not as yet. Similarly, we asked if gamification was creeping into the philanthropy sphere. There were a few examples of pro-social online games, developed to promote awareness or raise funds—however we felt that at present these were on the fringe of contributing to more or better philanthropy, compared to some other initiatives. We were also surprised to find less innovation in philanthropy education than we hoped, although there were a couple of interesting examples of MOOCs (massive open online courses), such as Doris Buffett's *Giving With Purpose*⁶¹; we suspect more of these to come.

CONCLUSIONS

The world never stands still: social and environmental problems are in a constant state of flux and new challenges emerge every day. Philanthropy must keep moving forwards to ensure the extraordinary generosity of donors around the world is harnessed in the best possible way to meet these challenges.

Innovation is essential to enable philanthropists, and the charities and social enterprises they fund, to address the complex issues we face. But a number of elements are needed to spark this innovation:

- **Greater openness.** Philanthropy is not about competing for market share. It's about making the world a better place, and through the sharing and pooling of information, data, resources and lessons learned, far more can be achieved than everyone working in isolation.
- **Bolder leadership.** Behind each initiative is either an individual or an organisation committed to change. The Kleissners are a great example of two individuals taking a new approach to their own giving, and then encouraging, educating and helping others to follow. This broader influence takes great leadership and fortunately for the sector, there are many inspirational people or organisations willing to push boundaries.
- **More confidence in trying new approaches.** Innovating can be risky—it's much easier to stick with what we know. Having the courage to try something new, knowing that it might backfire, takes confidence. Discussing failure within philanthropy, for example, is a brave strategy, and the Shell Foundation's honest account of its early failures is rare and admirable. Likewise the Knight Foundation has found the confidence to establish its prototype fund, knowing that a high proportion of its grants may lead to nothing. In both cases and others, having the confidence to take risks can also yield significant rewards.

With brave leaders and new approaches to transparency, learning and sharing, we hope that the next ten innovations are not far off—and that the establishment of our three innovations to watch is not far behind either.

We hope to see the replication of our ten innovations in the UK. For our part, we are committed to spreading the lessons and ideas highlighted in this report. We are also exploring other ways to take forward some of these initiatives. In particular, we are looking at how research-based giving circles (building on the Dasra model) and knowledge sharing within sectors (building on the WASHfund.org idea) can be supported. Meanwhile, we will continue to encourage the opening up of data, including through NPC's Data Labs programme⁶².

We welcome your feedback and would be interested in hearing from other organisations and individuals who share our passion for innovation and philanthropy.

EXPERT INTERVIEWEES

Jake Benford, Project Manager, Future of Civil Society programme, Bertelsmann Foundation, Germany

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Cathy Duff, Director, Trialogue, South Africa

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Jacob Harold, President and CEO, Guidestar, USA

Dr Lisa Hehenberger, Research Director, EVPA, Belgium

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Dr Rob John, Visiting Fellow, Asia Centre for Social Entrepreneurship and Philanthropy, Singapore

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Harvey Koh, Director, Inclusive Markets, Monitor Deloitte, India

Attallah Kuttab, Founder and Chair, SAANED for Development and Philanthropy Advisory in the Arab Region, Jordan

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Deval Sanghavi, CEO, Dasra, India

Cath Tillotson, Managing Partner, Scorpio Partnership, UK

Melinda Tuan, Senior Fellow, Centre for High Impact Philanthropy, University of Pennsylvania, USA

Karl Wilding, Director of Public Policy, NCVO, UK

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HOW NPC HELPS INDIVIDUALS AND FAMILIES

Many of us want to give something back to society. Charitable giving is one way to do so, and seeing the difference your philanthropy has made to someone's life can be incredibly rewarding.

You may just be getting started with your giving, or your family may have been giving for generations. Whatever your experience, NPC can help you ensure your giving is effective.

We can help at every stage of your giving journey, from choosing a cause and identifying effective charities, to getting the right processes and systems in place, to evaluating your success. Our services are flexible and can be tailored to your requirements. We can support you whether you just need help getting started, or want to outsource the management of your giving to us entirely.

Strategic advice

We can help you think about your funding goals and develop a strategy, choose a focus area and identify where your help is needed most. We help you clarify your objectives and work out what you want to achieve with your giving—perhaps bringing together different generations of your family, or getting more involved in your community.

Bespoke research

We have a decade's experience researching all kinds of social issues. We build on this knowledge to help you develop in-depth understanding of the areas you fund, so you can make well-informed decisions. This could involve finding out more about a particular geographical area, or learning about the best ways to tackle an issue you care about.

Grant-making support

We can provide practical advice and support to help you choose great charities and develop the processes to manage your giving—for example, developing application and monitoring systems. We can even manage your entire giving process for you, based on your priorities and interests.

Measuring your impact

Measuring the impact of your giving lets you understand how it is changing lives. We can help you think about how to collect the right information about the charities you give to, and how to best use this information to measure the impact of your giving so that you can understand the difference your funding is making.

Training

Our public training sessions offer training in a number of issues philanthropists may encounter, including selecting great charities, measuring your impact, and being a good trustee. We also offer bespoke training tailored to your needs—from engaging family members, to identifying a focus for your giving, and thinking about your strategy.

For further information please contact Head of Funders Team, Angela Kail, at Angela.Kail@thinkNPC.org or Deputy Head of Funders Team, Plum Lomax at Plum.Lomax@thinkNPC.org

TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

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