

THE ROLE OF GRANT-MAKING FOUNDATIONS IN THE “NEW FRONTIERS OF PHILANTHROPY”: CASE STUDY IN JAPAN

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1. What is “New Frontiers of Philanthropy”

1. Definition

- “the provision of private resources for social or environmental purposes” (Lester M. Salamon (2014))

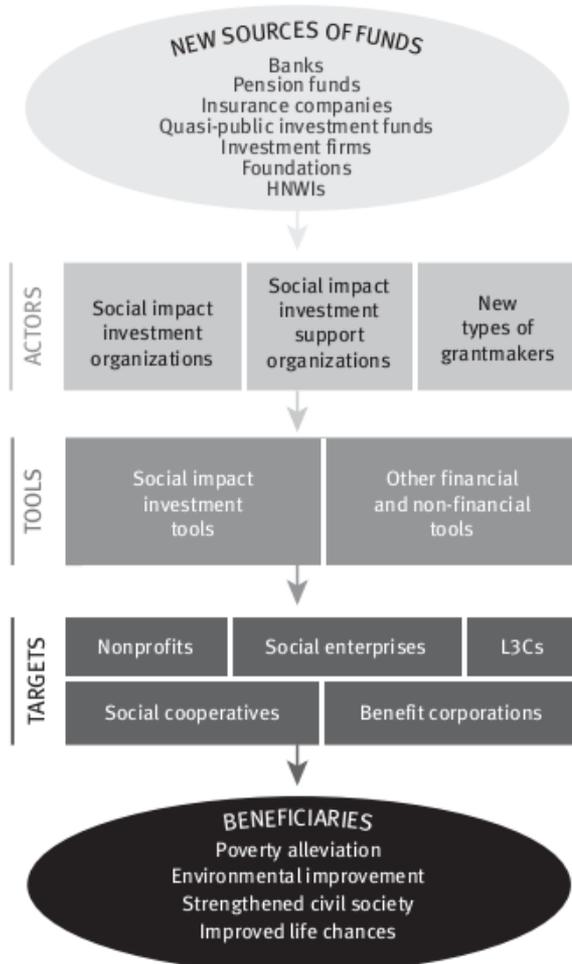
2. New Paradigm

⊕ **Table 1. The New Frontiers of Philanthropy Paradigm**

<i>Philanthropy = “The provision of private resources for social or environmental purposes.”</i>	
Traditional Philanthropy	New Frontiers of Philanthropy
Foundations, individuals	Individual and institutional investors
Operating income	Investment capital
Grants	Diverse financial instruments / capital tranches
Nonprofits	Nonprofits + Social ventures
Social return	Social + financial return
Limited leverage	Expanded leverage
Output focus	Outcome focus / metrics

2. Ecosystems of the New Frontiers of Philanthropy

FIGURE 1.2
The New Frontiers of Philanthropy Ecosystem



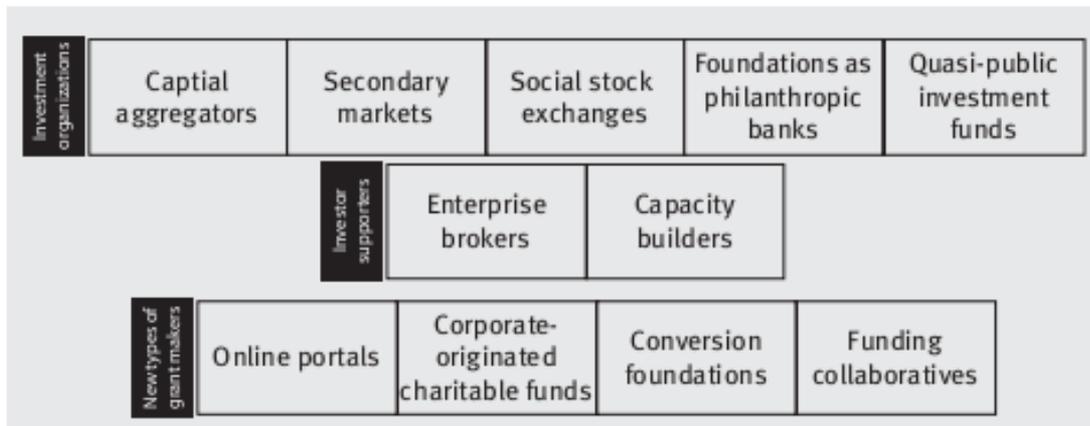
- **New sources of funds** become available from private financial institutions as well as traditional donors.
- **New actors and tools** have emerged to address new demands of social enterprises, social cooperatives and other hybrid entities.
- New ecosystem tries to tackle with **various issues** like poverty alleviation, environmental improvement, strengthening civil society, and improvement of life chances.

3. Actors and Tools on the New Frontiers of Philanthropy

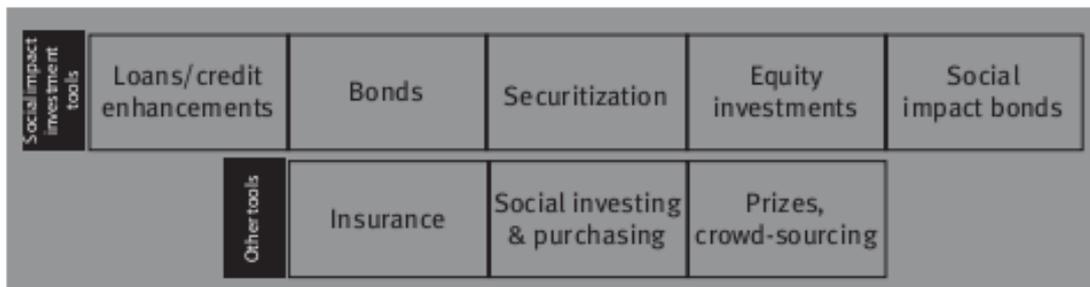
FIGURE 1.5

Actors and Tools on the New Frontiers of Philanthropy

Types of actors



Types of tools



- ❑ Types of actors
 - Investment organizations
 - Investor supporters
 - New types of grant-makers
- ❑ Types of tools
 - Social impact investment tools
 - Other tools

4. Analytical framework of the role of grant-making foundations in the new frontiers of philanthropy

□ 3 Categories

1. Supporting tools: Grant-making, Investment, Non-financial support
2. Types of support: Direct, indirect, infrastructure building
3. Supporting framework: stand alone, coalition, hybrid

Table 2. Summary of Analytical framework



	Direct Supports	Indirect Supports	Infrastructure building supports
Grant-making	Stand alone/ coalition	Stand alone/ coalition	Stand alone/ coalition
Investment	Stand alone/ coalition	Stand alone/ coalition	Stand alone/ coalition
Non-financial Support	Stand alone/ coalition	Stand alone/ coalition	Stand alone/ coalition
Mixture of theses 3	Stand alone / hybrid/ coalition	Stand alone / hybrid/ coalition	Stand alone / hybrid/ coalition



5. Major examples of each type of model

Type of model	Examples
Grant-making model	<ul style="list-style-type: none">• Grant for social enterprises (projects, capacity building)• Grant for support organizations
Investment model	<ul style="list-style-type: none">• Program related investment or mission related investment for social enterprises (projects, capacity building)• Social impact bond
Non-financial support model	<ul style="list-style-type: none">• Venture philanthropy (consulting, management support, networking, other technical supports)• Catalytic philanthropy (coordination of collaboration, establishment of standardized performance measurement system, and advocacy)
Mixture model	<ul style="list-style-type: none">• Grant + Program related investment (Skoll Foundation)• Foundation + Social investment firm (Omidyar Network)• Foundations + Financial Institutions (Living Cities)

6. Case 1: The Nippon Foundation

Basic Information

- Established in 1962 as public interest incorporated foundation
- The net asset: 294.3 billion Japanese yen (as of March 2015)
- Revenue: grant of 26.7 million Japanese yen from the revenue of public boat racing in Japan.

Major Programs	
Policy proposal and dissemination	<ul style="list-style-type: none">• Secretariat of G8 Social Impact Investment Taskforce• Policy paper to promote the social investment in Japan
Social Impact Bond Pilot Project	<ul style="list-style-type: none">• Special adoption program in Yokosuka-city• Special education program to prevent dementia of the aged in partnership with Kumon Education Research Corporation
Japan Venture Philanthropy Fund	<ul style="list-style-type: none">• Venture philanthropy supports to NPOs through grant• Social investment will be included in the future
Hometown Fund Project	<ul style="list-style-type: none">• Supports to social enterprises and NPOs In partnership with credit unions• TNF supports interest payment and gives credit enhancement

7. Case 2: Mitsubishi Corporation Disaster Relief Fund

Basic Information

- Established in 2012 as public interest incorporated foundation
- The net asset: 1.55 billion Japanese yen.

Major Programs	
Scholarships	<ul style="list-style-type: none">• Support university students in disaster afflicted areas
Grants	<ul style="list-style-type: none">• Support NPOs, social enterprises and other community organizations in disaster afflicted areas
Investment for industry recovery and job creation	<ul style="list-style-type: none">• Support both for-profit and nonprofit organizations in disaster afflicted areas• The Foundation made investments of 822 million yen to 14 enterprises in 2012, 710 million yen to 17 enterprises in 2013, and 464 million yen to 13 enterprises in 2014.• As of 2014, the total amount of equity investment is 1.79 billion yen, and the total amount of debt investment is 149.8 million yen.

8. Case 3: Kyoto Foundation for Positive Social Change

Basic Information

- Established in 2009 as public interest incorporated foundation
- Community foundation based on donations and grants

Major Programs

Special Loan Program for NPOs in Kyoto

- Support NPOs in partnership with local credit unions
- The foundation supports interest repayment for NPOs
- The fund comes from local government grants
- The foundation supported interest repayments of 98.5 million yen loans for 27 NPOs in 2013, and of 46.3 million yen loans for 13 NPOs.

9. Analysis

Major characteristics

- Direct support is the major way of support for Japanese Foundations
- Indirect support is basically through credit unions
- Most of supporting framework is “stand alone”. MIF can be regarded as “hybrid” though grants and investments are not closely related with each other. “Coalition” model cannot be found.

	Direct Supports	Indirect Supports	Infrastructure building supports
Grant-making	MIF		TNF (a) policy proposal
Investment	MIF	TNF (d) Hometown Fund KF	
Non-financial Support	TNF (c) JVPF		
Mixture of theses 3	TNF (b) SIB TNF (c) JVPF		

10. Conclusion

1. Through pioneering efforts of the Nippon Foundation, the concept of social investment is now becoming more visible in Japan, including social impact bond and venture philanthropy.
2. However, Japan still “lacks” eco-system for social investment like capital aggregators and intermediary support organizations. For the part of NPOs and social enterprises, they “lack” management skills and experiences to scale up by using capital. In this situation, partnership model with local credit unions to support interest repayment for NPOs and social enterprises can become dominant social investment model in Japan.
3. The case of Mitsubishi Foundation shows that it is possible for Japanese corporate foundations to launch authentic social investment program. As Japanese grant making foundations are mainly corporate foundations, this model has a potential to become another dominant social investment model in Japan.
4. It should be also pointed out that all cases in this paper are mainly “stand alone” model except for JVPF. In order for further development of social investment in Japan, more efforts are needed to promote intermediary organizations.

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