



SALZBURG GLOBAL SEMINAR

**OPTIMIZING INSTITUTIONAL PHILANTHROPY
FOR THE 21ST CENTURY**

AN INITIATIVE OF THE SALZBURG GLOBAL SEMINAR

**AGENDA-SETTING MEETING
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DISCLAIMER:

This report reflects many of the points raised and issues discussed during the December meeting, but is not an exhaustive exploration of the themes nor does it purport to reflect a consensus amongst the participants on the issues and ideas presented. The report seeks to reflect and summarize the multi-layered, nuanced and complex discussions that took place. The report does not claim to reflect the views of the donors, the author, nor does it necessarily reflect the views of the Salzburg Global Seminar.

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PREFACE

The Salzburg Global Seminar (SGS), in collaboration with a number of philanthropic partners, is launching a program on *Optimizing Institutional Philanthropy for the 21st Century*, a major multi-year initiative to maximize the impact of institutional philanthropy for today and for the future.

The initiative will take a new look at the vital role(s) of institutional philanthropy in a rapidly changing and increasingly globalized world. It will deliberately challenge existing philanthropic parameters and practices, and thoughtfully examine innovative ideas and promising innovations from around the globe. With the participation of leaders and experts from diverse fields and regions, the initiative will put forward ideas for new principles, policies, structures, and strategies to optimize the value and impact of institutional philanthropy as it evolves over the next several decades.

In December 2008 the SGS convened 25 experts representing 10 countries and diverse regions to analyze the current practice and future promise of global philanthropy and to help define the scope and priorities of the initiative. The conversations were informed by four commissioned background papers exploring philanthropic practices and challenges in different regions of the world. The deliberations explored central questions of the need for, capacity of, and challenges to institutional philanthropy over the next two decades, and began to investigate the institutional policies, forms, and strategies that will respond to the needs and opportunities for global social investing.

This brief report attempts to capture the views and ideas that surfaced at the December meeting, a meeting that was both reflective and spirited. It is not a comprehensive exploration of the initiative's underlying themes; nor does it represent a consensus view among the participants. Rather, it seeks to highlight the central questions, key ideas, and preliminary recommendations generated during the four-day retreat. Confidentiality was important, and specific ideas are not attributed to individual participants.

Since its inception, a hallmark of the Salzburg Global Seminar has been its unique ability to stimulate debate and to share new thinking on important and varied global issues. Philanthropy, writ globally, holds great promise for the 21st century. This initiative will help to realize that promise by challenging conventional thinking, broadening the view of what is possible, stimulating innovation, and laying the groundwork for global cooperation around important philanthropic and social-change initiatives.

INTRODUCTION AND RATIONALE

Global philanthropy is at an important crossroads. Seldom, if ever, before has a similar confluence of worldwide need, global wealth, and rapid innovation created such an opportunity for institutional philanthropy to become a powerful force for change and progress around the world. Swift and concerted effort will be needed if this potential is to be fully realized.

Philanthropy has demonstrated its capacity as an agent of social progress. For over a century, charitable foundations (based largely in the West) have responded to needs not met by other sectors and sought to create and promote social change. At its best, institutional philanthropy has provided highly innovative and forward-looking responses to societal needs, taking advantage of the opportunities presented by economic growth and technological changes.

The 21st century, though young, is already witness to both new and escalating challenges, challenges that demand new resources, new approaches, and more concerted action. While there has been steady progress in addressing a subset of social indicators, global poverty persists. Inequality is increasing. The world is faced with critical human, environmental, and security challenges. The consequences of the global financial collapse are still unfolding. While some concerns are local, all too many affect the entire globe.

Twenty-first century philanthropy is uniquely positioned to play a pivotal role in addressing these challenges. The reality of global interdependence, the growth of global wealth (despite recent, massive losses), the capacity of technological innovation and widespread political reform -- and its correspondent creation of freedom for civil society and civic action around the world -- have combined to create both the capacity and space for effective philanthropic action.

There are some encouraging signs of philanthropy's response to changing needs and new opportunities. New actors are engaging around the world -- for example, women are increasingly among the generators of new wealth and leaders in philanthropy, and immigrant groups have emerged as significant social investors in many countries. New forms of philanthropy and social investment (e.g., philanthro-capitalism, micro-philanthropy, hybrid social investments, online giving) are emerging. Philanthropic strategies increasingly comprise previously overlooked perspectives, such as critical gender issues.

But in large part, institutional philanthropy, in its current incarnations, is not optimized to address the challenges or to capitalize fully on the opportunities. If global giving is to be an important actor in this new and challenging landscape, it must be re-thought boldly. Major foundations and other institutional philanthropists must deliberately question long-standing assumptions, policies, and operating practices. Simultaneously, we must explore and disseminate new and innovative philanthropic models and strategies based on promising initiatives emerging and existing around the world.

The SGS initiative on *Optimizing Institutional Philanthropy for the 21st Century* is a deliberate effort to consider how global philanthropy can rise to current and future challenges. The initiative's over-arching goal is to imagine and identify organizations, structures, policies, and approaches that will create the most effective philanthropic institutions for tomorrow's world, and to position those institutions and practices to effectively meet the most pressing needs for social investment.

GLOBAL DYNAMICS: SHAPING THE FUTURE OF PHILANTHROPY

The world is a very different place than it was when many of today's major philanthropic institutions, policies, and practices were created. Today's philanthropy -- both in function and form -- must respond to the pressures and opportunities of current global realities. The leaders that gathered in Salzburg examined a number of broad dynamics that may significantly stimulate, shape, and perhaps even transform global philanthropy in the coming decade.¹ Acknowledging that the forces influencing philanthropy are many, complex, and vary greatly among world regions, those gathered in Salzburg did not seek to create a comprehensive list of influences, but to identify and consider more deeply a cluster of dynamics and trends that they felt to have a particularly strong influence on philanthropy.

Persistent social, economic, environmental and security challenges

Despite the economic gains of recent decades, the globe is marked by persistent poverty and growing inequities among people and nations. Over half the globe's population continues to live on less than US\$2 a day. Visible discrepancies in access to health, shelter, and education are coupled with hidden injustices in human rights, access to opportunity and freedom of choice.

Many of the world's problems are global in nature, threatening the health and security of people throughout the world, regardless of their economic situation. Drug resistant infectious diseases are on the rise; global warming and environmental degradation continue; escalating human conflicts threaten world stability.

Market forces and government policies are important, but they will not be enough. The magnitude and complexity of these challenges will demand vibrant and empowered civil society, greater philanthropic resources, creative social investment approaches, and stronger partnerships among the sectors.

Today's economic and financial crisis

For many, the escalating global economic crisis is a clarion call for new kinds of philanthropic decision-making and action. Countless additional millions face unemployment, compromised living standards, and poverty. Non-profit organizations providing vital services are in jeopardy.

The most obvious and immediate impact of the financial crisis on philanthropic institutions is the reduction in available investment capital. Few if any foundation endowments are not substantially reduced in value over the period of the last 12-18 months, and many considerably so. But given the vast reserves of philanthropic capital in foundation endowments, the Salzburg group strongly advocated looking beyond this crisis to the need -- and responsibility -- for philanthropic institutions to respond in new and innovative ways.

¹ To facilitate the discussion, the SGS commissioned the Institute for the Future (ITFF) to develop and present a "Global Philanthropy Map" offering a framework to help envision philanthropy's future.

While some participants cautioned against foundations moving too quickly or too far from mission, most leaders argued the opposite -- that the field must act swiftly and boldly to help respond to unprecedented challenges. The economic crisis creates an “inflection point” at which foundations must re-examine longstanding assumptions, rethink their roles and strategies, and find creative new ways to deliver on their overarching goals. Perhaps just as important, the economic crisis offers an opportunity for moral and thought leadership from the philanthropic community, not least in keeping the “eye on the ball” of global vision, when the instinct of many donors will surely be to “hunker down” and limit their support to local causes and/or more narrowly defined issues.

Global demographics

Changing global demographics -- e.g., migration, age, wealth -- will increasingly exert a profound effect on both the sources of philanthropic capital and the needs it addresses.

Diaspora populations, “transnational citizens,” and a rapidly increasing number of globally-minded individuals all have philanthropic concerns beyond the countries in which they reside. Notably, in the United States (and likely in other countries) the growth in cross-border philanthropy far surpasses increases in domestic giving. Innovative philanthropic institutions and models are being established to help realize global philanthropic goals.

The same factors that are shaping the sources and scale of giving will also shape the needs that giving addresses. In some countries, both legal and illegal immigration have created new challenges. While some populations (e.g., those of Europe and the U.S.) are aging, others have burgeoning youth populations. For example, more than 40% of Africa’s population is under the age of 15 and many countries in the Middle East are also experiencing a “youth bulge.” These populations are associated with obviously distinct needs and attendant challenges.

Technological innovation

It is difficult to track or estimate the impact of technology on philanthropy, but there is little question that it is transformative. It has created a new domain of institutional philanthropy – on-line giving, among others. It has created “communities” of givers through collective and aggregate giving. Websites have become the principal source of information and communication for most philanthropic institutions. The Internet has created far faster and simpler communication between (some) foundations and their constituents.

Virtual or on-line giving platforms are helping to create a “long tail of philanthropy” where large numbers of donors participate in small-scale giving. Notably, such platforms seem to be particularly helpful in encouraging greater involvement in international giving (i.e., through platforms such as GlobalGiving and Kiva).

The evolution of new communication technologies will continue to have a strong influence on the operations and impact of both individual foundations and the sector. In particular, the emerging Web 2.0 technologies such as interactive websites, blogs, and podcasts will offer plentiful opportunities for foundations and their grantees. Such information/communication tools may encourage foundations to be more transparent and participatory, and help to convince the public-at-large of the value of philanthropy to society.

CREATING A NEW PHILANTHROPIC FUTURE: IDEAS, INNOVATIONS AND OPTIONS

Against the backdrop of the global dynamics that will continue to challenge and shape philanthropy in the coming decades, the leaders gathered in Salzburg explored important influences and opportunities within the philanthropic sector itself.

Participants generally viewed today's Western-based foundation sector as fundamentally failing to live up to its potential. As a whole it does not work in concert with civil society as powerfully as it should -- and as it must -- to address the challenges the world faces. Key failings include: (1) a failure to contribute a far greater portion of its financial capital; (2) a failure to effectively encourage the growth of intellectual capital in the sector, and contribute its own intellectual leadership and influence to effecting social change; and (3) a failure to understand, or support, humanity's underlying need to be generous -- of assets, time, and experience. Additional concerns regarding foundation practices and policies include: the traditional grantmaking model may be inappropriate for many countries; philanthropy is practiced in silos and the field and its players do a very poor job of knowledge sharing; institutional philanthropy may represent an elitist structure that actually strengthens systems it claims to want to change.

Examining the philanthropic landscape more globally, there are few institutional models that respond to priorities, challenges, and practices around the globe. While the community foundation model has spread rapidly, in large part through the support of Western foundations, other models are urgently needed.

Given these limitations and failings, those gathered in Salzburg explored new practices, approaches and movements that will -- or could -- accelerate the transformation of institutional philanthropy. The list is far from comprehensive. Rather, the group chose to concentrate on a small cluster of "game-changing" ideas that, if supported, could be transformative to the field and seemed well positioned to help philanthropy respond to changing needs and retain its influence and ability to effect change, both today and in the future.

Philanthropic assets: the arrows in our quiver

We need to take a new look at how best to maximize the value of institutional philanthropy. Current practice -- some but not all prescribed by law and regulation -- severely limits the potential for foundations and other institutional donors to maximize their impact.

If organized philanthropy is to have a real impact in addressing the world's important challenges it must move beyond today's myopia around, for instance, "minimum payout requirements" and take a more holistic view of its assets. Important questions remain, including those regarding payout from endowment, the longevity of institutional players (foundations, principally), and appropriate and beneficial investment strategies.

Institutional philanthropic capital in the U.S. is estimated at half a trillion dollars, and a survey of giving in 15 countries in Western Europe estimates giving of 240 billion.

Many U.S. foundations seek to preserve their endowments for the long term. Many of these observe the legally mandated 5% minimum payout required by U.S. law, but give no more than that.

Data on endowments and distributions in other countries is less easy to come by. The U.S. minimum payout rate by foundations and donors may be the highest in the West. In the United Kingdom, the minimum required distribution from principal is 2.5%. Most countries have no minimum distribution requirements whatsoever.

Institutional philanthropy must also look well beyond its grantmaking strategies and employ other kinds of investment strategies that support its respective institutional missions. Foundations and other institutional donors should explore the breadth of financing methods commonly associated with commerce – e.g., loans, loan guarantees, linked deposits, and even equity investments – and adapt them to philanthropy and social investment.

“Non-traditional capital” such as program related investments (PRIs) and mission related investments (MRIs) represent largely untapped investment strategies that could help bring to market billions of dollars in new capital to charitable organizations, and to commercial ventures with charitable purposes. Such investments can complement and leverage grant dollars. In addition, in today’s economic climate, increasing access to non-traditional capital could substantially reduce the reliance of nonprofit organizations on more traditional forms of philanthropic capital, surely likely to be less available in the immediate years ahead.

The great majority of social capital worldwide is not being deployed in the pursuit of mission or social benefit. The consensus view of the Salzburg group was that institutional philanthropy must do more with its capital, with its vision, and with its heart.

A social marketplace?

Innovative and forward-looking philanthropic players around the world are pursuing initiatives that have the ability to reshape institutional philanthropy. Many of the most prominent of the recently established institutional models -- e.g., social stock exchanges, on-line giving marketplaces, other efforts to aggregate giving, and information sites (e.g., Guidestar and NGO certification programs) -- seek to create a “marketplace” for philanthropic transactions. Many of these philanthropic models and vehicles will have the ability to promote more responsive, innovative, and effective philanthropy.

Such vehicles and initiatives hold great promise. Many have the potential to increase both the quantity and impact of resources for social progress. However, the Salzburg group urged that much more thinking will be required if the potential of such initiatives is to be realized globally.

In many countries a “marketplace” may not be the best construct -- politically or culturally -- through which to promote philanthropy. Especially in non-Western countries the public nature of markets may collide with the intensely private nature of

philanthropy. A market approach may fail to recognize or capitalize on the complex motivations behind the act of giving.

The Salzburg group believes that the need exists to explore and pilot a much broader range of institutional models that can encourage more giving and increase its impact. New models are needed to respond more directly to a global range of philanthropic priorities and practices. While the intersection between commerce and philanthropy has been deliberately examined in some cultures and geographic regions, there has been far less exploration of philanthropy's nexus with, for example, religion and its relationship to philanthropic institutions. For instance, Islamic funding models could have important lessons/ideas for philanthropic institutions. Equally important, it could be significant to explore models that facilitate other kinds of philanthropic giving, e.g., platforms and mechanisms for "intellectual/knowledge" philanthropy. It will be important to consider the range of new actors, and have their voices heard in the "agenda setting" process.

Philanthropic partnerships

The world's many challenges cannot be effectively addressed by one sector alone. There is little hope of dealing comprehensively with such issues until there is a true collaboration among government, business, civil society, and local communities.

There has been a fair amount of attention directed towards public-private social and philanthropic partnerships, but additional learning and bolder action are required. Salzburg group members advanced the notion of establishing a well-resourced public-private fund for civil society, funded by private institutional philanthropic capital, matched by government and/or business.

More broadly, there is a need for new kinds of institutions to facilitate strong, effective partnerships. There is also a need to distill and disseminate best practices in and through partnerships. The Salzburg Global Seminar is well-positioned to facilitate such thinking and practice.

Both the function and form of public-private partnerships will differ widely from country to country. In many countries, particularly where organized civil society has only recently emerged, philanthropic institutions are often trying to create more independent space for their work. In others the philanthropic sector *must* work closely with government and the private sector.

THE SALZBURG INITIATIVE: CHANGING PHILANTHROPY TO CHANGE THE WORLD

Those that gathered in Salzburg were unanimous in their belief that as the 21st century matures there is a compelling need and immediate opportunity – indeed, an “ethical imperative” – to develop swiftly and deliberately, alternative systems, structures, and policies to optimize philanthropy and social investment.

Through a series of convenings, working groups, and commissioned papers, the Initiative will examine critical issues that the group believes to have special potential to advance the practice and impact of global philanthropy. Our approach is to build on and connect the considerable work that is already underway among diverse actors within and across regions and disciplines.

Focal areas might include:

Global philanthropic capital: fuel for innovation and change

Philanthropy has the potential to make a significant contribution to innovation in social change, but only if we address one of the field’s greatest weaknesses: the inadequacy of the information available to make informed social investment decisions, to understand the impact of the decisions donors make, and to serve as a catalyst for innovation.

Those who seek to “optimize” the impact of philanthropy and social investing are often hindered by a lack of reliable knowledge and data regarding philanthropic resources. Except in a handful of countries there is little available information on the scale and flows of institutional philanthropic resources. In most countries, neither governments nor private organizations collect and/or make available important data on social investments. Cultural traditions further restrict and inhibit the public dissemination of information about philanthropic giving.

The Salzburg initiative is uniquely positioned to help develop a knowledge base and a platform for its dissemination. The Salzburg platform would provide important information to policy makers, donors, and other actors at the national level, allow comparative analysis among countries, and begin to provide a picture of the magnitude and impact of global philanthropic investment.

Possible directions include:

- develop a system through which to gather data on philanthropic flows within and among countries, and use it to create a reliable, respected, and accessible “platform” of information on global philanthropic investments as they affect the quantity/quality and impact of such investments
- explore how to combine and apply this information with a wealth of data and knowledge relevant to social investment, social change, and development captured by a range of other sources (e.g., national governments, aid agencies, OECD, the Bertelsmann Foundation, Google International, Guidestar, etc.)

- consider augmenting quantitative data with qualitative information, knowledge and analysis

Cross-border philanthropy: a framework to bridge the divides

Institutional philanthropy is increasingly global. Foundations and a growing number of other philanthropic institutions increasingly work across national borders. For example, in the United States, foundation giving for international purposes increased by over 70 percent between 2002 and 2007. At the same time, new organizations and platforms such as Global Giving, Kiva, and Network for Good are facilitating both individual and institutional giving across borders.

Yet cross-border philanthropy remains difficult to practice. Uncoordinated national law and regulations make international giving difficult and sometimes almost impossible. There is a compelling need to create a positive and enabling regulatory environment for global institutional philanthropy.

Efforts are underway to establish standards and principles for international grantmaking, but critical gaps remain. Foundations, corporate grantmakers, NGOs, academics and other experts who have been thinking about such issues should be engaged and their input tapped.

The Salzburg initiative is positioned to help promote and inform a more positive and enabling public policy environment for global philanthropy. By convening thought leaders, legal experts, policy-makers and other key stakeholders SGS could create a forum to, e.g., draft enabling laws, regulations, and/or protocols to promote easy and effective cross-border philanthropy.

Fostering a new ethic and practice of social investment

The Salzburg group was of the belief that there is a need to increase the quantity and to improve the quality of the application of private resources to address the social/environmental challenges that confront humanity in the 21st century. While philanthropic capital may be compromised by the global economic downturn, social needs are increasing. There is a social and ethical imperative to think and act creatively to address global and region-specific needs, to put financial and social capital to work.

Some members of the Salzburg group believe that there is an opportunity – perhaps even an obligation – to adjust current philanthropy-related policy, in Western nations in particular, to encourage or require institutional philanthropic players to put more of their capital to work. Such encouragement and practice can take many forms, e.g., engagement, advocacy, convening, stimulating innovation, creating collaborative efforts, better leveraging public and private investments, etc.

Questions old and new remain, among them: Which tenets of western foundation tradition remain inspiring and useful? Which doctrines need to be rethought? What aspects of the traditional western foundation model are useful guides for philanthropy in other countries? Are there universal principles that might maximize accountability, collaboration, and global giving? What significant changes to institutional

arrangements, policies and approaches would result in significant contributions to social impact?

These questions, related to institutional structures, policies and practice, need further sharpening and a platform through which to be taken up seriously and addressed by those concerned about 'optimizing' institutional philanthropy to meet current and emerging challenges.

NEXT STEPS

To consider philanthropy from a global perspective is a task of global proportions. The Salzburg group believes strongly that there is an opportunity – indeed, a need – for SGS and others to take bold, practical, but visionary steps to embrace and challenge conventional and emerging models of social investing and philanthropic giving.

We acknowledge the very real challenges to changing institutional philanthropic practice on a global landscape. Notions of social investing, philanthropic motivations, practices, and policies vary from culture to culture, country to country. There is no globally accepted vocabulary, even, with which to discuss philanthropy and social investment. The relationship of philanthropy to the state varies widely and will have enormous influence on the scale and practice of philanthropy from country to country. However, there is a desire to seek to identify elements – related to institutions, infrastructure, policies and practice - that would help to optimize institutional philanthropy and understand where and how these could be applied to significantly magnify the impact of philanthropy.

The Salzburg Global Seminar has historically demonstrated its ability to gather the intellectual capital to address complex questions and challenges, gathering some of the best thinkers to address the most difficult issues through creative and collaborative efforts. What we propose is an initiative that we are confident will be transformative – for institutional philanthropy, for civil society, for all those citizens of the planet that will benefit from our work together.

ABOUT THE AUTHOR

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SALZBURG GLOBAL SEMINAR

CHALLENGING PRESENT AND FUTURE LEADERS TO SOLVE ISSUES OF GLOBAL CONCERN

The Salzburg Global Seminar is a unique international institution focused on global change – a place dedicated to candid dialogue, fresh thinking and the search for innovative but practical solutions. Founded in 1947, it challenges current and future leaders to develop creative ideas for solving global problems, and has brought more than 25,000 participants from 150 countries and regions to take part in its programmes. The Salzburg Global Seminar convenes imaginative thinkers from different cultures and institutions, organizes problem-focused initiatives, supports leadership development, and engages opinion-makers through active communication networks, all in partnership with leading institutions from around the world and across different sectors of society.

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