Social Impact Bonds

Social impact bonds (SIBs), also called pay-for-success bonds, are a relatively new public financing concept. According to the Huffington Post, "through SIB, government attracts private capital to fund the upfront costs for critical services in exchange for a capped return to be paid out down the road based on the savings as a result of prevention. If the program does not achieve the predefined metrics, the SIB will not achieve a return for the investors." Theoretically, SIBs are a win-win for all parties: non-profits deliver high value services; governments save; investors earn returns; and the public benefits. However, risk is certainly involved, and this financial mechanism remains experimental, especially in the U.S.

While more players have become involved with SIBs in the U.K. and Australia in the past couple of years, putting the concept into action is practically brand new in the U.S. Most recently, Goldman Sachs and New York City will be the first in the U.S. to test the idea. According to The New York Times, Goldman Sachs will provide a $9.2M loan to pay for a new four-year program intended to reduce the rate at which adolescent men incarcerated at Rikers Island reoffend after their release. This money will be used to pay MDRC, a social services provider, to design and oversee the program. If the program reduces recidivism by 10 percent, Goldman would be repaid the full $9.6M; if recidivism drops more, Goldman could make as much as $2.1M in profit; if recidivism does not drop by at least 10 percent, Goldman would lose as much as $2.4M. No matter what the results, Goldman is betting on this social investment as a positive PR move.

So how do private foundations play into all of this? In the case of the example above, Bloomberg Philanthropies will provide a $7.2M loan guarantee to MDRC, which can be used to repay Goldman a portion of the loan if the program does not succeed. If the program does succeed, the MDRC can leverage the Bloomberg funds for future SIBs. Some argue that the nature of a capped return – inherent in SIBs – indicates that the bonds will need initial boosts from philanthropists before they become more mainstream. The Rockefeller Foundation is one of the first to explore the potential meaningful and wide-ranging impact of SIBs on issues such as recidivism rates, homelessness, childhood obesity, and more. As foundations and other philanthropists increasingly stress the importance of measurable outcomes, one of the initial concerns from nonprofits about SIBs is that monetary incentives could distort the programs or their evaluations. Complete evaluations of active SIBs are still a long way off, but the dialogue continues unabated.

The gathering energy around SIBs, as well as the growth in impact investing makes for an interesting emerging ecosystem in what some are referring to as the new "Impact Economy."

For more information: Huffington Post, The New York Times, Rockefeller Foundation
It is difficult to read the news without coming across mention of the Giving Pledge. It is one of philanthropy's hottest topics, and many agree that it is making a positive and transformative change in the world. The Foundation Center has capitalized on the popularity of the Giving Pledge and created a new website, Eye on the Giving Pledge, to bring transparency to this new force in the philanthropic sector. Eye on the Giving Pledge provides helpful resources including profiles on the 81 pledged members, data on giving interests, demographics, and industry, and relevant news articles. Drilling down to each donor profile reveals a quick snapshot of useful information such as the donor's estimated net worth, foundation information (including the foundation's 990), social media links, and charitable giving new articles. Below is an example of a donor profile:

Despite the praise the Foundation Center is receiving for this new tool, Eye on the Giving Pledge has been met with some critics. Kevin Laskowski, research and policy associate at the National Committee for Responsive Philanthropy, argues that the site is missing a critical component: if the donors are keeping their promises. In his recent entry on the National Committee for Responsive Philanthropy's blog, Laskowski observes the Eye on the Giving Pledge's lack of information on the progress of each Giving Pledge signatory on meeting his/her stated obligation. He writes, "It's important to ask how these men and women are doing. The answers might provide guidance and inspiration to new donors and potential signatories."

As the Foundation Center's new tool develops, it will be particularly interesting to see if and how they track the accountability of each Giving Pledge member in fulfilling his/her promise. Please follow this link for access to the Eye on the Giving Pledge website: [http://glasspockets.org/givingpledge/](http://glasspockets.org/givingpledge/).

Source: [National Committee for Responsive Philanthropy 8/2/2012](http://glasspockets.org/givingpledge/)
The ERIN Project is a new database created and financed by the Laura and John Arnold Foundation to analyze the U.S. Education system and identify nonprofit organizations and donors that are working in the education space. This free database focuses data on five categories: funders, research, policy, organizations working in education, and information technology. While the information in the database is more heavily focused on K-12 education, this tool can be used to gain a broader understanding of the current educational landscape, as well as the involvement and interest of many of the foundations that also fund higher education initiatives. The ERIN Project is currently in its beta form, and can be accessed here: http://www.erinproject.org/.

New in the OFR Toolkit

- Foundation Center Daily
- New book: "The Ultimate Insider's Guide to Winning Foundation Grants: A Foundation CEO Reveals the Secrets You Need to Know" by Martin Teitel