

# The Philanthropy Column

Teresa Araco Rodgers and Maya Sharma 01 November 2013

*If you ask a local philanthropist whether she would consider supporting a government-sponsored human services project, chances are her response will be pretty negative.*

*However, the environment and infrastructure to support government-sponsored initiatives with philanthropic capital are starting to change globally with the advent of social impact bonds. The first social impact bond was launched by Social Finance UK in September of 2010. These types of investments are meant to encourage innovation by allowing the government to partner with enterprising organizations and to secure financing from philanthropists willing to cover start-up costs and bear the risk of innovation. The way the bonds work is that repayment to investors is contingent upon specified social outcomes being achieved.*

*There have been several pilot programs mirroring the one in the UK in the US, namely, in Boston and New York City. As a matter of fact, the Rockefeller Foundation and the Harvard Kennedy School recently established a social impact bond technical assistance lab that provides pro bono technical assistance to*

***state and local governments that are considering the pay-for-success approach.***

***So the question for Philadelphia—for those in government and for those local philanthropists/investors—is whether the environment is ripe to support this type of relationship.***

## **A new generation of local philanthropists**

The city of Philadelphia is no stranger to philanthropy. Philanthropic efforts have contributed widely to the worlds of arts, education and social services. Behind hundreds, and even thousands, of successful nonprofit organizations are the efforts of generous individuals who saw value in a good idea and wanted to ensure not only its existence but its survival. However, as Peter Dobrin recently argued in his Philadelphia Inquirer three-part series ( [http://articles.philly.com/2013-10-07/news/42766222\\_1\\_wealth-grand-rapids-arts-and-culture](http://articles.philly.com/2013-10-07/news/42766222_1_wealth-grand-rapids-arts-and-culture) ), the philanthropic scene is changing in Philadelphia and organizations are struggling to find ways to adapt to the changing nature of philanthropic giving. Dobrin doesn't suggest that people are any less generous than in the past; instead he argues that a new generation of givers are intent on seeing results. They want to ensure that the money they are donating is being used in meaningful ways. While this shift is troubling for arts

organizations that have difficulty quantifying the impact of music or art on an individual, this opens up opportunity for the government to capitalize on this trend among philanthropists.

## **A few local examples of a ripening environment**

Despite the fact that government initiatives often meet criteria for investing that rising philanthropists value (mainly in the area of applying metrics), many philanthropists struggle to find projects that capture their attention or that provide an avenue to contributing. It is simply not natural for philanthropists to turn to government when thinking about innovation. This is perhaps due to the lack of experience both sides have relating to each other. Typically, philanthropic support comes through those nonprofits that provide services on behalf of government and the relationship becomes that of co-funding. The government could be paying a fee for services delivered by a nonprofit and the philanthropist would provide the supplemental capital.

The Philadelphia Education Fund

(<http://www.philaedfund.org>) is one such example. The Philadelphia Education Fund has worked closely with the Philadelphia School District to provide enrichment programs to schools to further their mission of providing quality education and to ensure that students are ready for college or careers. The result of this partnership is that

the school district is able to provide necessary programming to students that they otherwise could not afford. Philanthropists are able to see their funding go to programs with measurable outcomes that provide tangible results for individuals in need. This model is one that other departments within the city's government could easily incorporate or adapt to fit their needs.

Recently, Mayor Nutter commissioned a report to examine the level of poverty in Philadelphia (<http://sharedprosperityphila.org>). The study concluded that 28 out of every 100 residents live in poverty and that of those 28, 11 are children. Based on that report, the mayor launched Shared Prosperity Philadelphia through the Office of Community Empowerment and Opportunity to align the city's efforts to combat poverty by partnering with local corporations and social service organizations. It is this same idea of collective impact that guides the Philadelphia Education Fund. This new initiative is one that, if marketed correctly, could catch the attention of many philanthropists.

Shared Prosperity Philadelphia provides an opportunity for individuals with means to contribute to meaningful and innovative programs that support the goals of shared prosperity. Additionally, the community empowerment and opportunity office plans on tracking the outcomes of each initiative and making that data publically available on its website.

# Can Philadelphia turn it around?

There are some great things happening in Philadelphia that contribute to the infrastructure to connect this otherwise distant relationship between government and philanthropy. Mayor Nutter has appointed a chief data officer

(<http://www.govtech.com/pcio/Philadelphia-Gets-a-Chief-Data-Officer.html>), launched Startup PHL

(<http://www.startupphl.com/>) and partnered with Code For America

(<http://www.codeforamerica.org/cities/philadelphia/>) . Last year, the mayor also created the Mayor's Office of New Urban Mechanics (MONUM) as a place within his administration dedicated to experimentation in order to improve the delivery of city services

( <http://www.newurbanmechanics.org/philadelphia/>).

MONUM builds partnerships amongst "constituents, academics, entrepreneurs, non-profits and City staff" to design, conduct and evaluate pilot projects. Here lies the point of this article... where is philanthropy in all of this? Where is the entry point for a philanthropist willing to cover start-up costs and bear the risk of innovation as in the case of social impact bonds?

Despite steps to further the social impact bond space, no one can deny that Philadelphia, which has the lowest credit rating of the five most populous cities, has some big financial problems—unsettled contracts with municipal

unions, a significant unfunded liability in the city's pension fund, an ongoing debate over whether to sell the Philadelphia Gas Works and massive deficits at the Philadelphia School District.

While the opportunity to unite philanthropy and government exists, the government must continue to develop the infrastructure and environment to support such relationships. It seems unlikely that people will be willing contribute to any government-sponsored initiatives until the perception of government as ineffective is shaken. The city will have to provide concrete data that its programs are working before people will feel comfortable entrusting them. The process will be slow, but if the government can prove they are worthy stewards of investment who put money to good use and get measurable outcomes, the new generation of investors may find investing in these projects fulfilling.