

Social Investment

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Recall...

- Blurring of the sectors
- ... has always been the case...
- More a construction than reflection of reality
- But: reality is changing...

Initial Agenda (-1990s)

- Organizational focus
- Service delivery
- Several major theories
- Value base, multiple stakeholders, multiple revenue sources
- Product bundling
- Complex impact record

agendas

- Sector-focus
- Roles
- Functions: social investment

Basic Third Sector Research Questions

	LEVEL OF ANALYSIS AND FOCUS		
BASIC QUESTION	<i>Organization</i>	<i>Field/Industry</i>	<i>Economy/Country</i>
<i>Why?</i>	<p>Why is this organization nonprofit rather than forprofit or government?</p> <p style="text-align: center;"><i>Organizational Choice</i></p>	<p>Why do we find specific compositions of nonprofit, forprofit, government firms in fields/industries?</p> <p style="text-align: center;"><i>Field-specific division of labor</i></p>	<p>Why do we find variations in the size and structure of the nonprofit sector cross-nationally?</p> <p style="text-align: center;"><i>Sectoral division of labor</i></p>

Basic Third Sector Research Questions (cont.)

	LEVEL OF ANALYSIS AND FOCUS		
BASIC QUESTION	<i>Organization</i>	<i>Field/Industry</i>	<i>Economy/Country</i>
<i>How?</i>	<p>How does this organization operate? How does it compare to other equivalent organizations?</p> <p><i>Organizational efficiency etc; management issues</i></p>	<p>How do nonprofit organizations behave relative to other forms in the same field or industry?</p> <p><i>Comparative industry efficiency and related issues</i></p>	<p>How does the nonprofit sector operate and what role does it play relative to other sectors?</p> <p><i>Comparative sector roles</i></p>
<i>So What?</i>	<p>What is the contribution of this organization relative to other forms?</p> <p><i>Distinct characteristics and impact of focal organization</i></p>	<p>What is the relative contribution of nonprofit organizations in this field relative to other forms?</p> <p><i>Different contributions of forms in specific industries</i></p>	<p>What does the nonprofit sector contribute relative to other sectors?</p> <p><i>Sector-specific contributions and impacts cross-nationally</i></p>

1995-2005 Agenda

- Privatization and PPP: efficiency, devolution
- Social Capital, Civil Society: cohesion, self-organization
- Social Accountability: watchdogs

Social Investment: since 2005

- Private contributions to public benefit
 - implicit distinction that these contributions are investments rather than current expenditures intended for consumptive purposes.
 - private actions benefit a wider community, however defined, and of which the investor may or may not be a part
 - not only monetary but also contributions in kind count as investments.

Why?

- the desire to have a **positive definition** rather than a negative one on the range of private institutions, organizations and actions that provide public benefits; despite their wide use and utility terms like nonprofit or nongovernmental nonetheless suggest what they are not rather than the core of their *raison d'être*; in the same vein, the term wants to signal its substantive meaning more clearly than technical terms such as third sector;

Why

- the need for a term that includes the individual level (e.g., civic engagement, volunteering, donations), the organization level (nonprofit organizations, voluntary associations, social movements) and the institutional level (philanthropy, charity);

Why

- the need to have a modern **umbrella term** for activities which seeks to produce both financial and social value and returns in situations where concepts like charity or philanthropy may be too limiting;

Why

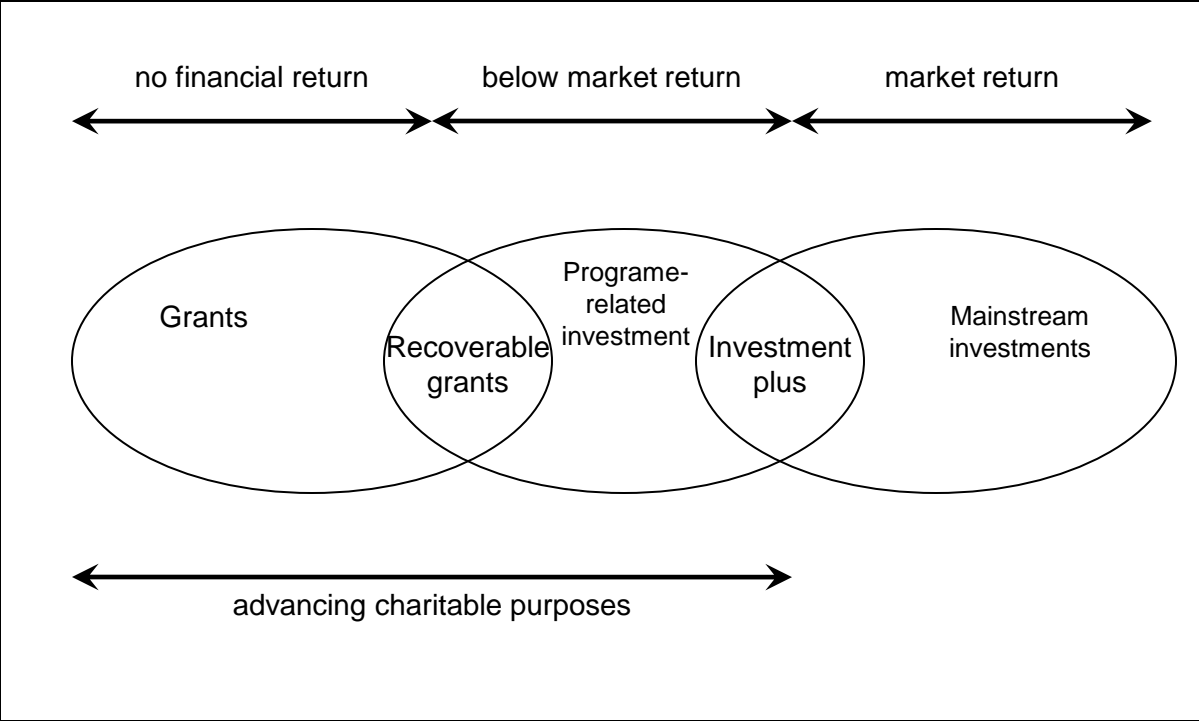
- the need for a **neutral term** to enhance comparisons across countries and fields, as existing concepts such as tax exempt entities in the US, charity and voluntary sector (United Kingdom), public benefit sector (Germany), social economy (France), or Japanese or Italian conceptions are too closely tied to particular national experiences and circumstances;

Why

- the motivation to link the current research, teaching and policy agenda on nonprofits, philanthropy and civic engagement to mainstream concerns of academia, in particular in the social sciences, legal studies, and management; and, finally,

Why

- the aspiration to shift the debate about public benefit and responsibilities from an emphasis on **fiscal expenditures** and revenues to social investments, asset creation, societal problem-solving capacity and, ultimately, sustainability.



Instruments

- Private Equity and Venture Capital that can support start-up organizations, either forprofit or nonprofit) through debt or equity investments;
- Loans and Mezzanine Capital that offer loans to nonprofit organizations, loans with or without equity participation to privately held for-profit companies, and (typically) microfinance loans to individuals; mezzanine forms of capital combine external capital without voting rights with own assets;
- Loan guarantees that secure loans or bond issues and lower the cost of capital to be borrowed by either forprofit or nonprofit corporations; they can also increase access to capital markets; and
- Bonds and Deposits, including mortgage-backed securities, community development bond offerings, and (in the US) certificates of deposit at community development financial institutions.

Agenda

- Current work on social investment is still primarily about finance: the forms social investments can take, the instruments that can be used, by whom and for what purposes. The rapid development of financial products and instruments in recent years, and leading up to the financial crisis of 2008-9, saw parallel activities in the fields of philanthropy and the nonprofit sector, with a hitherto unknown emphasis on forms of capitalization, asset and risk management and types of community investments.

Agenda

- Future work on social investment will most likely test the **sustainability** of these instruments, and thereby advance the distinction between social investments and conventional financial investments; the types of activities seen as investment rather than some other form of activity; the measurement of investment performance and yield, particularly around measure of return of social investment; and the role of the investors and the types of investor coalitions themselves.

Conclusion

- How do societies invest in their own future when government are no longer able or willing to take both lead and primary role?
- Calls into focus all sectors, individuals
- Less blurring, more division of labor