

PHILADELPHIA IMPACT INVESTMENT LANDSCAPE SCAN

EXECUTIVE SUMMARY



In July 2018, Philanthropy Network Greater Philadelphia engaged Urbane Development through a grant from The Barra Foundation to assess the impact investing ecosystem in the Philadelphia area. A scan of the landscape involved identifying current and potential investors, determining whether impact investment was part of their portfolio, and examining how these investments are defined and quantified. The team gathered information on the types, dollar range, targeted social purposes, and targeted geographies of impact investments that have been made in the past and of impact investments that foundations, angel investors, intermediaries, and others want to make in the future. Philanthropy Network wanted to focus particularly on the unique role that foundations might play in this emerging ecosystem.

The research uncovered a lack of understanding of the complex network of stakeholders engaging in impact investing in the Philadelphia region, including stakeholders currently involved – and those who would like to be – and their respective roles in this space moving forward. A lack of shared definitions around frequently utilized impact investing terms creates an additional layer of complexity. These barriers hamper coordination and cooperation among interested actors within the impact investment space.

Through a series of interviews, roundtables, and a short survey, Philanthropy Network and Urbane Development gathered input from key stakeholders in the Philadelphia region who are involved (or want to be involved) in impact investing in order to better understand their priorities, needs, and challenges and to identify key opportunities to facilitate further impact investments in the region.

WHO WE TALKED TO

52 INDIVIDUALS REPRESENTING:

FAMILY FOUNDATIONS
SOCIAL ENTERPRISES
FINANCIAL INTERMEDIARIES

INVESTMENT ADVISORS
RESEARCH INSTITUTIONS
LOCAL AND FEDERAL GOVERNMENT

IMPACT INVESTMENT ADVOCACY GROUPS
HIGH NET-WORTH AND ANGEL INVESTORS
MID-TO-LARGE SCALE PRIVATE FOUNDATIONS

FROM 46 ORGANIZATIONS ADVANCING IMPACT INVESTMENT IN THE PHILADELPHIA REGION.



38 SURVEY
RESPONSES



17 IN-DEPTH
INTERVIEWS



2 ROUNDTABLE DISCUSSIONS
WITH **23** TOTAL ATTENDEES

KEY SURVEY INSIGHTS

N=38

66% CURRENTLY MAKE IMPACT INVESTMENTS

69% OF RESPONDENTS WHO DO NOT MAKE IMPACT INVESTMENTS, WANT TO LEARN MORE ABOUT IMPACT INVESTMENTS

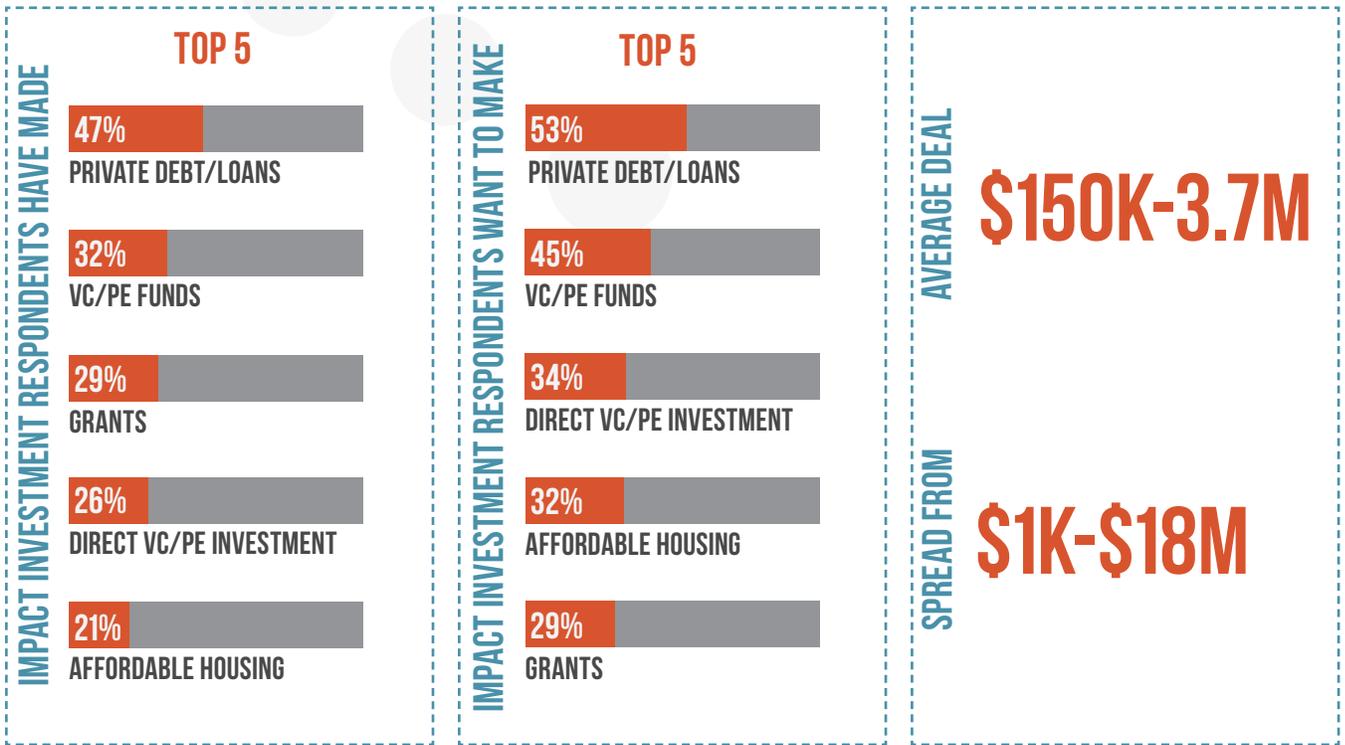
60% HAVE OVER 5 YEARS OF IMPACT INVESTMENT EXPERIENCE; 40% HAVE OVER 10 YEARS

LARGEST BARRIERS TO ENTRY

22% LACK OF DEAL FLOW

20% BOARD APPROVAL

13% NEED FOR STAFF WITH INDUSTRY KNOWLEDGE



56% HAVE A FORMAL/EXPLICIT DEFINITION OF IMPACT INVESTMENT

52% HAVE AN IMPACT INVESTMENT ALLOCATION IN THEIR INVESTMENT POLICY

52% HAVE COMPLETED BETWEEN 1-10 DEALS | **32%** HAVE COMPLETED OVER 10 DEALS

53% PLAN TO INCREASE IMPACT INVESTMENT CAPITAL DEPLOYMENT IN 2-3 YEARS



KEY THEMES FROM INTERVIEWS AND ROUNDTABLES

LACK OF DEAL FLOW IN IMPACT INVESTMENT MARKETPLACE

- **Investors** feel that social enterprises and organizations are not mature or scalable enough to handle significant investment
- **Social enterprises and organizations** feel that there are not enough impact investors who are knowledgeable about their investment needs
- **Intermediaries** are uncertain that the philanthropic community has the risk tolerance to make larger, riskier impact investments
- **Institutional investors** – particularly pension funds, mutual funds, and endowments – are not part of the conversation

NEED FOR EDUCATION FOR IMPACT INVESTMENT STAKEHOLDERS

- **Social enterprises and organizations** do not understand how impact investors and philanthropy assess their risk and outcomes and deploy the investment capital needed to satisfy investor requirements
- **Foundation staff and boards** are seen as lacking the talent or training mechanisms to make smart, risk-adjusted impact investment decisions

INVESTMENT ADVISORS AND FOUNDATION BOARDS AS BOTTLENECK

- **Investment committees, boards and staff** are focused on investments that allow the foundation to operate in perpetuity over investments that grow impact, and they may not align on the notion of meeting the mission of philanthropy
- **Investment advisors** lack understanding of and/or belief in impact strategy and use fiduciary responsibility to orient boards/investment committees away from impact products
- **Foundation board** make investment decisions and deploy impact capital in a way that reflects their makeup – if boards are not entrepreneurial or diverse, their investments will lack innovation and diversity

CORE INSIGHTS AND RECOMMENDATIONS

DETERMINE THE LEADERSHIP MODEL AND APPROACH

Philanthropy Network should spearhead the creation of a leadership model around philanthropy-led impact investing focused on below market rate investments with a clear social mission. This leadership model would amplify existing innovations in impact investing happening with early adopters, allowing it to scale and normalize as a method for investment in philanthropy. A coalition of existing and new partners could create a charter for action and pilots for innovation in funding, impact enterprise attraction, and education.

BUILD PHILANTHROPY BOARD EDUCATION AND CHANGE MANAGEMENT INFRASTRUCTURE

Philanthropy Network should consider sponsoring an education and training platform for boards and staff to gain fluency in impact investment principles, examine existing practices, develop clear impact investment policy, reframe relationships with investment advisors, and challenge investment advisory to develop a stronger impact lens.

DEVELOP STORYTELLING STRATEGY FOR IMPACT INVESTMENT IN GREATER PHILADELPHIA

Philanthropy Network should consider developing a strategy for marketing and narrative building around philanthropy's role in impact investment in Philadelphia. The effort could inform investors that a market for social good exists outside of technology and the environment and illuminate the value of impact investments in unlocking the growth potential of end-users.

IDENTIFY FIRST MOVER EXPERIMENTS FOR “EARLY ADOPTERS” TO TEST NEW PRODUCTS OF BLENDED CAPITAL CONCEPT

Philanthropy Network members and partners should consider focusing on venture philanthropy gaps in the investment spectrum, such as low interest (<5%) debt; loan guarantees, loan loss reserves and credit enhancements; and innovations in early-stage equity and/or working capital credit opportunities.

ACTION STEPS



Partner with nationally renowned business development entities with strong impact investment credentials to create curriculum and certification platform for foundation boards, investment advisors, and foundation staff in impact investment



Identify and produce highly visual Philadelphia-based and national comparable case study opportunities on impact investments to demystify the space and incorporate “anatomy of a deal” aspects with narrative story telling



Identify early adopters in philanthropy who are innovating with their impact investments to pilot a community of practice focused on social equity and place-based issues in Philadelphia



Leverage institutions recognized as leaders in impact investment research to develop metric set that is relevant to this market and can bridge gap between impact investors and investees; as well as convene larger institutional funds and funds managers



Sponsor tracks and encourage the local philanthropic community to speak at strategic conferences dealing with impact across region and country



Produce landscape scan of impact end-user attraction, retention, and development



Utilize existing resources and knowledge to aggregate the best practices around board education and impact change management nationally and coordinate early adopter members to pilot selected best practices in their work



Develop internal capacity at Philanthropy Network tied to board development and impact investment training

FOR MORE INFORMATION, PLEASE
CONTACT US AT INFO@URBANE-DEV.COM