EXPERT REPORT ON INNOVATIVE FUNDING

PHILANTHROPY

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EXECUTIVE SUMMARY

This report is the culmination of an investigation into how innovative funding solutions can be brought to bear on the ambitions of the New European Bauhaus (NEB). In particular, it has sought to address how to effect meaningful change at a grassroots level so that the impact of the European Green Deal can truly be felt among communities and individuals in a tangible way, and within a reasonable timeframe.

The primary focus of the report has been on European philanthropy, although it is linked to a parallel study on crowdfunding (each having informed the other) and the recommendations accommodate the integration of these two funding sources.

The study identified a highly constructive European philanthropic landscape that demonstrates a willingness to embrace change and new ways of making a difference, especially from a generation imbued with an energy to make a strong social impact. It was also mindful of impending changes to the backdrop for European foundations (including the potential for a pan-European statute at some stage as well as modifications to the wider legal, fiscal and administrative barriers to cross-border philanthropy), but adopted an operating assumption that there would be no change during the timeline for the report or its implementation phase. However, the study has also been mindful of the mandate to investigate innovative solutions which, if put in position will start to make a noticeable difference ahead of a more enabling operating environment coming at an EU-wide level, but in a manner that would benefit from such changes when-and-if they do come to pass.

Following phase one investigations and feedback from the Working Group assembled to assist, approaching this challenge through the lens of a Hub of some kind, set up and configured to maximise productivity, became the primary focus.

The Hub concept has its origins in the author’s own experience in capital markets, where small energised units with a defined product focus (or mission of any kind) have proven to be highly effective as a means to steal a march on competition. These teams are efficient information processors, they announce the institution’s presence in a particular market or capability, while also building strategic stakeholder relationships. This gives them an organisational and information advantage to swiftly pursue opportunities as they arise. In addition, the report draws upon what it considers to be US philanthropic best practice as well as from inside the EU, most particularly InvestEU (see Appendix I).

During the course of the background analysis and conversations, various scenarios emerged that were considered worthy of further investigation, most involving some version of a pan-European philanthropic fund or foundation. However, while none proved a panacea to the problems of reaching grassroots causes across the EU, the detail and outcome of these routes is included within the report, not least as the investigations themselves proved a very efficient
way to flush out many of the frustrations and difficulties those operating in the philanthropic space in Europe have been experiencing. They also proved a worthwhile way to explore and test the NEB's ambitions against the detail of relevant regulations.

Taking the outcomes of all investigations and feedback into consideration, the primary recommendation of this report is to put in position, howsoever referred to, a Financial Solutions Hub that can start to make an immediate impact on the task of generating more philanthropic liquidity for NEB projects. The Hub would also be an umbrella under which a crowdfunding platform seeking to do the same but in a different way could be combined with efforts to secure funding and other support by more traditional means.

More than anything, however, the Hub would have the ability to unlock funding from a part of the social economy the EU is currently not reaching, at least effectively. The Hub would provide a path to support for projects with a smaller initial requirement (typically within the €20,000 to €50,000 range, but not limited by these amounts). In doing so, it would offer a channel for the Green Deal to percolate down to a grassroots level currently struggling to be heard. It is anticipated that the Hub would be effective early on, but because it would be structured in a manner that is both scalable and dynamic, it can pivot (even downsize) depending on a range of developments. The Financial Solutions Hub is a relatively low-cost and low-risk way to make immediate advances on the ambitions of the NEB.

In many respects the Hub will seek to emulate what the EU itself has demonstrated; that through sheer force of organisation and cooperation, different stakeholders (member states) with their individual histories, operational norms and imperfections can be brought together and, with the aid of effective institutions and structures, achieve impressive results. In its own way and within its particular ecosystem, the Hub will seek to achieve something similar.

In terms of where the Hub's is ultimately positioned, while it is envisaged as a bolt-on to the NEB in the first instance, given moves towards the consolidation of Hubs in the EU (e.g. the Social Economy Gateway contemplated in the Social Economy Action Plan (SEAP)), it is not impossible that the Hub may be absorbed elsewhere in time; but it just as likely may sit outside the EU altogether whilst maintaining firm links with it. No particular location has been assumed for the purposes of the report, and it is recommended to establish a Task Force (see within and Appendix II) for a considered view on optimal arrangements in this respect as well as in regard to a range of related areas.

The investigation also identified a number of ways in which the EU (using the considerable impact and convening power of its brand) could deploy soft power initiatives in support of the NEB ambitions and to assist the philanthropic landscape in Europe more generally. Finally, as outlined under Alternative Innovative Ideas (see Appendix III), the report recommends exploring the feasibility of a merchandising model (using NEB-branded products) to supplement Hub income and/or promote the NEB/Hub platform, including crowdfunding.
Principal Recommendations of The Report

- Move forward with the Financial Solutions Hub
- Establish Task Force and (pre-) Hub Pilot at the NEB
- Broaden soft power initiatives towards NEB goals
- Consider feasibility of NEB merchandising model (in time)
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SCOPE AND METHODOLOGY

This report has been prepared to catalogue a study into the financing aspects of the New European Bauhaus (NEB) undertaken between January and June 2022, specifically as regards innovative funding methods, with a particular focus on philanthropy in the EU.

As a conduit through which the principles and objectives of the Green Deal can be translated into cultural, human-centred and tangible experiences, the NEB has an objective to effect change at a grassroots level and the study has sought to chart a path to achieve this. An undertaking such as this is without precedent and has presented a variety of challenges.

In terms of approach, research was conducted in a range of ways, including by canvassing the opinion of those working in European philanthropy, but also by seeking to learn from philanthropic practise elsewhere, in particular the US. At the same time, an attempt has been made to draw certain conclusions from the commercial world, specifically international finance as, while the sectoral differences need no explanation, there are lessons regarding the way in which institutions and individuals come together towards a common goal.

In addition to extensive background reading, especially in the early phase, the study involved meeting with various stakeholders, including with NEB personnel, partners, friends as well as Round Table members. The process also included interviews with key stakeholders on a 1:1 basis, several on more than one occasion.

The approach sought to bring a fresh set of eyes to the space, which involved asking open-ended questions; on occasion deliberately prodding on what seemed like set-piece thinking about relevant existing circumstances and arrangements in order to explore more fully where new tactics may be possible. For example, giving consideration to scenarios that seemed prima facie challenging nevertheless proved to be a worthwhile way to understand the barriers at work and to inform final recommendations.

Whilst recognising many of the impediments to a single European market in philanthropy that currently exist (including from a legal, tax and regulatory perspective), a guiding principle of the study has been to investigate potential solutions that can navigate the existing framework of the EU effectively while at the same time monitor key developments towards a more enabling environment, including, but not limited to, a pan-EU statute for foundations (see EU Philanthropic Landscape). The overall direction of travel towards a level playing field for philanthropy has backing and growing momentum, but is likely to play out in a timeline beyond that of both the study and the implementation of its primary recommendations.

Initial conclusions were presented in an interim report completed by 31 March 2022 (stage one). During this concept phase, outline schematics were prepared, accompanied by a summary of the pros/cons and open questions. The slides also contained an indication of the
genesis of each idea. These were then tested in an open forum discussion with members of the Working Group and feedback collated both directly and subsequently.

As we moved into phase two, the focus shifted more narrowly. It is important to note also that, just as some gained traction and others were ultimately determined not to be suitable, at least at this stage, working through why the latter is the case was itself instructive. Setting out a scenario in order to possibly rule it out later was a very deliberate part of the methodology adopted here. The exercise proved effective in identifying where transformative achievement may be too ambitious near term, but also where to place effort in order to bring results more quickly. However, where time was the chief enemy, and certain scenarios appeared to have longer-term potential, it was important to find an accommodation whereby work could continue post the reporting deadline. This is reflected in the recommendations.

The guiding principle has therefore been to put forward potential solutions that can navigate the existing framework effectively, even creatively, whilst leaving room to continue work on certain of the avenues referenced above that hold promise. Making maximum use of any ‘soft-power’ influence the EC can bring to bear on the ambitions of the NEB was also to the fore.
KEY FINDINGS

EU Philanthropic Landscape

A head of embarking on a more detailed investigation of the various scenarios that it was hoped might provide direction for the NEB’s funding objectives, the philanthropic backdrop in Europe was evaluated with an emphasis on how it relates to these goals.

The starting point was both reading and engaging directly with key actors in the sector, while the main point of comparison was that of the US, the latter being both more integrated and uniform in its characteristics, whilst also being a large ecosystem increasingly displaying innovative ways for grantmakers and others to lend support. The principal observations arising can be summarised in the SWOT analysis below.

**Figure 1: EU philanthropic landscape SWOT analysis**

Source: Q4 Capital Advisors
Although characterised by a degree of fragmentation and many domestically-focused foundations, coupled with an uneven backdrop from a legal, fiscal and regulatory perspective\(^2\), the European philanthropic sector nevertheless has a number of stand-out strengths. These include, in addition to its financial resources, making available philanthropy’s experience, expertise and values, as well as providing models for good governance.

Initial investigations revealed foundations and philanthropists extremely receptive to innovative thinking and constructive dialogue on how to better deliver their collective mandate. There would appear to be a high level of understanding and awareness of the obstacles confronting the key participants, be they technical impediments to the growing trend towards impact investing (see below), various challenges hampering more collaboration among foundations, problems with cross-border giving, as well as any other barriers to pan-European interconnectedness. But at the same time, it is a sector determined not to be held back.

While feedback points to an urgent appetite for a long-expected European foundation statute and a frustration at the pace of change, there is also a willingness to work constructively within the current framework. Foundations appear motivated to play their part in the post-pandemic economic recovery and in a manner that is socially responsible, low-carbon and environmentally friendly.

Overall, philanthropy in Europe is very conscious of the backdrop of the EU and its institutions. Among those contacted for the study, there was a heightened understanding that despite various well-advertised drawbacks, the collective impact of the EU brand, its convening power, especially when combined with high-level sponsorship of any initiative, is a force that can propel meaningful change. Were it to prove possible, opportunities to collaboratively fund projects alongside the EU would likely attract a lot of interest.

This stands in conspicuous contrast to the US which is defined, not just by its considerable size, but by an ecosystem far closer to the level playing field Europe so covets. It is also characterised by a lower level of social provision, coupled with a noticeably higher proportion of religious-based giving; and all supported by a broadly accommodating fiscal stance. Public sector bodies equivalent to EU institutions are less evident.

Other observed characteristics of philanthropy in Europe include a highly energised demographic among second-generation philanthropists and a determination, sometimes at odds with older stakeholders, including boards, to make progress on their ambitions, particularly as regards impact investing where social and environmental factors rank alongside financial. There is also a determination to embrace new ways of delivering philanthropy, including by way of various forms of non-financial support, as well as through the use of ‘trust-based’ models and other creative ways of empowering grantees.
As highlighted in the SEAP, European philanthropy is vociferous in its view of certain impediments to more active social economy investing, such as regarding the need for assistance to de-risk projects they would otherwise be barred from investing in. But the sector’s engagement on possible solutions is noticeable, such as its enthusiastic participation in a workshop organised by the EC last year to explore a potential new co-investment facility under InvestEU.

The framework surrounding EC participation in the donating economy is less clear. It is an area that has not come under the spotlight to the same extent as that of social investing, at least recently, and there are less fully-developed initiatives that the NEB or other actors can attach to. It could be considered something of a blank sheet of paper, and various seemingly simple solutions have been put forward by stakeholders at different times, but none so far have gained momentum.

While on one level, the financial regulations and associated provisions codify the basis upon which any such undertaking could be done, the lack of uncomplicated and replicable precedent to act as a basis for new initiatives is an unhelpful starting point. This does not mean that there are not solutions and several were explored via the scenarios presented during the concept phase of this exercise.

Whereas philanthropy faces threats specific to its sector, it also must confront a range of issues shared by the world of industry and commerce more generally. Identified threats mainly come from geopolitical and technical factors, the former difficult to track in terms of timing, while the latter are characterised by uncertainty surrounding the nature of change. Although technical threats are beyond the scope of this study, feedback, including from other EC Directorate-Generals, tends to crystallise around the certainty that, while change is already taking place at a pace, seismic adjustments cannot be ruled out near term, most particularly by developments in Blockchain. It should also be said that there are clearly many opportunities arising in the technology space. These aspects were touched on during the open-forum Working Group session while presenting the interim report. Participants were in broad agreement, albeit without any action points other than to maintain a vigilant watching brief (see Appendix III).

Despite the many and various challenges confronting the sector, it was encouraging to see prominent recognition of them in the SEAP and the remedial steps it sets out. Chief among these are promises by the Commission to publish guidance on relevant taxation frameworks for social economy entities and to clarify the existing rules on the tax treatment of cross-border public benefit donations (including implementation of the principle of non-discrimination with Member States). It demonstrates a forward-thinking can-do mindset and strikes an optimistic tone for philanthropy going forward.

In the meantime, it is a sector determined not to be held back. According to Philea, a body representing European philanthropy, cross-border giving is actually on the rise in Europe (up
103% between 2019 and 2020) despite the widely-acknowledged difficulties it faces. This tells us something about the sector’s determination to overcome problems. For example, Paris-based FEDORA, an organisation dedicated to guaranteeing the future of opera and ballet, has chosen a technical route to encourage cross-border philanthropy. According to FEDORA, by harnessing advances in digital technology, “individuals and companies can make donations and benefit from tax deductions valid in their country of residence in a secured legal and fiscal framework.” It adopts a somewhat different approach depending on the jurisdiction. However, FEDORA credits the new online Transnational Giving Europe Platform with enabling residents and companies of selected countries in Europe to benefit from a tax deduction.

With technology moving faster than political process ever can, we are starting to see glimpses of how these and other obstacles confronting philanthropy may be met in the future.

**Evaluating Certain Phase One Scenarios**

Phase one contemplated a number of potential scenarios that grew out of early-stage discussions and background research. In particular, certain routes involving the use of funds (as well as that of a pan-European foundation) were considered by some stakeholders as having potential to deliver on the task of innovative funding for the NEB.

Following additional investigations and feedback in the open forum, some have now been deemphasised as deliverable in the near term, although the expectation is that they would be taken forward and placed on the Hub’s agenda for further evaluation. Nevertheless, a summary of the primary options considered is included below, but in condensed form versus the interim report for ease of understanding.

**Investigating the potential for fund finance to play a role**

The study first looked at whether or not it may prove possible to pool certain EU and foundation resources into a joint EU-wide fund for grant funding/social investing. The idea was influenced by recommendations put forward in a report prepared by consulting company Wider Sense in conjunction with the European Cultural Foundation (ECF). But it also emerged as an idea worth exploring from various conversations held during the concept phase. In the absence of a single European market for philanthropy, the approach sought to investigate achieving a measure of this integration by proxy via an EU-wide fund that would receive a contribution from the annual budget of foundations.

The initiative was considered from a number of angles. Firstly, it was looked at on the basis of both the EU and foundations each contributing to some kind of flagship fund that would redistribute monies to worthy European projects. In the Wider Sense version, this was envisioned to promote “genuine European (solidarity) projects” and it was suggested that the foundations should contribute 1% of their annual budgets (estimated at c. €600 million).
Alongside creating a truly pan-European philanthropic platform to compliment foundations’ direct assistance, this investigation contemplated whether it may prove a useful interim route to overcome various current impediments to cross-border giving, not just legal, regulatory and fiscal, but in terms of domestic political perceptions for certain foundations also. Economies of scale in project sourcing and evaluation would be a potential further benefit.

In the second of these, the study considered a largely similar structure, but with an EU institution collaborating with a local Implementing Partner (e.g., a development bank) to give effect to its donations. The approach was based on early-stage feedback that directly grant aiding a fund and/or granting alongside other philanthropists can be problematic. The overall idea is that it may make it less cumbersome to ensure compatibility with EU rules, potentially also when multiple jurisdictions are involved, to make such donations in an arm’s-length way.

In this scenario, a trustee is deployed to align donations made to projects by the Implementing Partner with those the EC would have made under scenario one. However, for ease of understanding here both scenarios are presented together in Figure 2. A possible further benefit of the EU standing back in this way was that it avoided a particular disadvantage unearthed during investigations; that in co-funding scenarios, the larger partner (in this case the EU) is often expected to carry the weight of the funding requirement.

**Figure 2: Exploration of a joint EU-Philanthropy fund**

- Trustee oversees cashflows if IP used
- EU Institution or “Implementing Partner (IP)”
- EU funding (€)
- EU-Philanthropy Matching Fund
- Foundation funding (€)
- Philanthropists/Foundations
- Project funding (€)
- Trustee oversees cashflows if IP used
- Adhering to NEB guiding principles

Source: Q4 Capital Advisors

- ✓ Potential to channel funding directly through to grassroots activities
- ✓ Some foundations may find cross-border donating easier via a fund with EU involvement
- ✓ Economies of scale in evaluating and selection of projects
- ✓ A channel for the EU to provide thought leadership on relevant issues

✗ Lack of EU Foundation Statute and related provisions
✗ Uneven operating environment for European philanthropists
✗ Lack of robust and replicable structural precedent
✗ Pace and risk appetite alignment among participants
Most of those who participated in these discussions considered it worthwhile to explore the potential fund-based solutions but were quick to identify problems with bringing them to fruition, at least any directly involving the EU. In the main, these can be summarised as arising from the lack of a pan-European statute along with other barriers to cross-border operational efficiency such as tax rules and the application of them; and that the financial regulations and associated provisions do not appear to neatly accommodate these objectives. Investigations highlighted some relevant factors.

An interpretation of the EU grant-making provisions under shared management rules would appear to facilitate the EU making use of an Implementing Partner to allocate such monies if required. By contrast, it looks problematic for the EU to contribute to a fund along the lines contemplated. At the same time, the regulations provide for the potential use of other umbrella platforms (universities, for example) so long as it involves sums of less than €200,000, suggesting room for further exploration here. However, what is not sufficiently clear under the regulations is whether that platform can then make cross-border allocations, notwithstanding that this would likely include a difficult political dimension. This would largely defeat the purpose of a pan-European fund with EU involvement to promote NEB values.

Overall, while the regulations can potentially accommodate certain routes, they appear to be complex, without precedent and insufficiently robust or easily replicable. Therefore, these approaches, while they remain worthy of further investigation (with the Hub best positioned to do this), have not been included in the final recommendations of this report; not because they are impossible, but because they are least likely to deliver near term.

**EU-Philanthropy alignment funding**

A third and more straightforward approach was considered in order to provide for the EU to exert influence over the manner and scope of support for the social economy from a grant perspective. This was presented as an “Alignment Funding” option.

Under this scenario, rather than committing to a joint-fund of some kind given the difficulties highlighted, the connection point is a far looser arrangement via a joint-committee. The idea is that a committee is established in order to align the way in which the appropriate EU institution(s) and key foundations/philanthropists work together.

The committee would prepare guiding principles in an effort to influence behaviours, including in regard to non-financial undertakings such as advocacy work. It is an approach that may, for example, give rise to joint-scouting of projects or other collaborations compatible with the regulations. A potential advantage from foundations’ perspective is that EU involvement would be perceived as a form of validation and could aid with due diligence requirements.
It does not seek to address the potential impediments to direct funding by the EU. To this extent, it may be an approach that could also be used in combination with alternative scenarios. Nevertheless, it is in-effect a deployment of soft power by the EU with the potential to nudge a directional shift by philanthropic actors in a somewhat formalised way, whilst at all times recognising their inherent independence.

As a concept, it was generally endorsed as achievable and unlikely to fall foul of any pre-existing regulations (notwithstanding details on governance and other factors still to be worked out), it was at the same time deemed to be the least effective.

The approach shares the same principal pros and cons as with the schematic in Figure 2, except with less pronounced advantages.

**Figure 3: Establish joint-committee to align social economy support**
Viability of a pan-European foundation

Using the same approach, open-ended questions were also asked as to whether the EU could play a leading role in sponsorship of a truly pan-European foundation for the furtherance of European goals, including those of the NEB.

Based in part on ideas put forward in the Wider Sense report (itself inspired by the work of the 800 community foundations in Europe, but extrapolating to a pan-European context), feedback was invited on how such an institution might look? The study heard that national foundations exist and co-invest with private equivalents and so was asked to consider the feasibility of a pan-European foundation, either involving the EU or merely championed by it.

These initial investigations to determine whether or not the EU could play a meaningful role, proved an efficient way to flush out many of the concerns and frustrations arising from the lack of a pan-European enabling environment for foundations, most particularly the failure in 2014 to reach consensus on the European Foundation Statute proposed by the Commission. And despite various developments suggesting movement is taking place in the right direction⁶, as things stand it is generally deemed to be unviable.

As such, resources were re-directed away from this approach early on, but important take-aways proved useful elsewhere in the report’s considerations.

Nevertheless, as with the scenarios involving funds, it is envisioned that the Hub will continue to consider all aspects, including when-and-if such a foundation might prove possible. Among its other objectives, the Hub is a way to keep momentum alive across these and other initiatives.
WAY FORWARD GUIDING PRINCIPLES

In considering a way forward, a number of guiding principles have emerged from the collective investigations in (the concept) phase one. They can be summarised as follows:

- European philanthropic actors are highly constructive and display a willingness to embrace change wherever possible;

- The pan-European legal and regulatory backdrop governing the (financial and non-financial) giving economy will remain largely set over the time horizon of this report and its implementation;

- Solutions to the funding ambitions of the NEB must operate within this environment with only limited ability to chart a radically new course near term;

- Change is already evident on the investment side of the social economy, (e.g. via InvestEU and related programmes), and there are a number of highly relevant points of crossover to the donation side;

- Nevertheless, progress can be made to overcome many of the structural impediments identified, at least in part, by engaging with the philanthropic sector in a more organised way;

- In doing so, it will be important to work with existing bodies representing the sector such as Philea, which can connect the Hub to a diverse range of foundations, philanthropic organisations and networks working for the common good. Philea is well positioned to curate any messaging to-and-from the Hub.

- Inspiration can be drawn from developments elsewhere in the EU, the US and the private sector, among other sources; and

- There is a role for EU soft power in bringing it all together;
GETTING TO THE GRASSROOTS - THE FUNDING SOLUTIONS HUB

Of the three principal scenarios presented in the findings, none were deemed sufficiently robust or replicable to be included as standalone recommendations of this report, although the intention is for the innovation to continue as part of the primary initiative set out below. The investigations to date also brought to light the power of certain soft power initiatives which are included.

Overall, the report’s findings acknowledge that through sheer force of organisation, much can be achieved operating within the existing framework. The measures necessary to realise these efficiencies are best approached from the vantage point of an operating unit referred to henceforth as “The (NEB) Funding Solutions Hub” (the Hub) purely for the purposes of this report. Various governance models have been considered, but along with a number of other factors requiring further consideration, including the most appropriate name/brand, etc., they will be taken up by a Task Force established for this purpose (see Conclusion and Recommendations).

During phase one of the innovative funding investigations focused on philanthropy, the Hub concept was floated and received positive feedback. The version presented here includes a small number of refinements and contemplates the following benefits at a minimum:

- Enables the European Green Deal to reach grassroots level and projects not currently serviced by other EU programmes (thus planting the EU flag locally);
- Compliments the green transition taking place at a macro level with clearly identifiable change for individuals, communities and cities;
- Avoids the size/geographic concentration characteristic of other EU programmes;
- Reaches projects falling below the radar of EU philanthropists/foundations;
- Unlocks financial and non-financial philanthropic resources far more quickly than that suggested by the timeline for structural change;
- Offers a forum for continued innovation regarding alternative funding sources;
- Positions stakeholders in the event of material change (e.g., a pan-European statute) to be on the front foot, ready to exploit any developments immediately.
The Hub in Operation

For a more detailed treatment of how the Hub concept was arrived at for the purposes of this report please see Appendix I. However, the Hub is fundamentally a way to get the most out of the existing philanthropic landscape in Europe by providing a platform where the key stakeholders can be brought together in a systematic and organised way.

With European philanthropy characterised by a degree of fragmentation and lacking some of the cohesive elements of the US for example, the Hub would aim to be a central focal point for stakeholders to cluster around. It would be an information provider for all parties, but importantly it would also provide a bridge to support for the project side (see below). In the absence of achieving a single market for philanthropy by statute, the Hub would seek to deliver the next best thing through organisational structure and other efficiencies. Aspects of the Hub are not unlike a grant-equivalent of the InvestEU Advisory Hub and Portal, but the Hub would offer quite a few additional services.

A further theme which presented throughout all investigations was to do with knowledge empowerment, most particularly among projects at a grassroots level. Their problems can often be as simple as not having a contact point to commence the sometimes intimidating process of finding backers. The Hub would seek to break down these barriers by maintaining comprehensive information on where support, if available, is most likely to

Figure 5: Immediate impact but Hub will continue to grow in relevance

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Source: Q4 Capital Advisors
come from. To be in a position to provide this level of information and more efficiently match projects seeking assistance with grant/support providers in a way that is easily understood and accessible, the Hub must map and understand the social economy investing community across Europe. It would do so first-and-foremost by compiling a detailed and dynamic database to track this.

**Launch Database to map social economy investors**

If we consider foundations and other philanthropic providers as investors in the social economy, immediate benefits could be realised by profiling them in a manner similar to how financial institutions categorise investors in order to efficiently match them with borrowers (see Appendix I).

The Hub would therefore have an imperative to commence work on a real-time dynamic database which would store the details of foundations and other philanthropists on the basis of a uniform template for ease of comparison. Somewhat similar platforms presumably exist within the EU that could provide a useful starting point.

Alongside developing the template, an agreed initial target list would need to be prepared, following which the work to approach and profile the foundations and philanthropists would commence. It will be important to make the case to foundations (see below) and get their early-stage input on how such a template should look. It is hoped they would see the benefit of cooperating in providing or updating key details, including any hurdles they must meet to put funds to work (see below).

The database would be designed to capture all forms of support foundations can provide, cataloging non-financial work such as training, advocacy or providing specific expertise in certain areas next to the grantmaking parameters.

This creates a systematic and searchable mechanism so that projects can be assisted to determine which funders are most likely to support their work and to raise their visibility among those donors. Crucially, once complete, it will need to be maintained in real time to be of ongoing use. Ultimately, we can conceive of a system where foundations can create an account, populate and update their own pages. Depending on progress, the database could seek to profile nonprofits also so that foundations could engage in what is sometimes referred to in the world of commercial investments as “Reverse Inquiry”. As the
system matures, linked EU services and ‘Partner Platforms’ could be added so that projects could be showcased in a broader range of forums.

**Project scoring and evaluation**

The kinds of projects most likely to benefit from the Hub approach are those still struggling to get off the ground. They may be small, community-based, and working in the interests of the environment, education, agriculture, the arts, culture or heritage, among other areas of focus.

Ahead of feeding any projects through to the Social Economy Syndicate to match with the appropriate funding source (see also Coordinating with Crowdfunding), a scoring and evaluation exercise will need to take place. Projects with the potential to receive backing would be primarily assessed against pre-agreed criteria and those meeting an appropriate hurdle and with the in-principle backing of the Hub, put before a Validation Committee. This would not be a substitute for due diligence, which would still need to take place. In addition, while Figure 7 below flags certain criteria likely to be included in any project scoring exercise, these are merely some initial proposals with the precise parameters to be developed by the Task Force (see Appendix II).

The Hub envisions the Validation Committee as playing a role not unlike a Credit Committee in commercial banking, but, as with InvestEU’s Investment Advisory Committee, it could consist of an outsourced expert team assembled for this purpose, making it easy to add to as required by volume of inquiry.

Once endorsed, guidance would be given to project promoters or intermediaries on how to proceed with a well-prepared proposal fit to be put before social economy investors such that they can make an in-principle decision without delay. (Importantly, these would be presented as ‘proposals’ and not recommendations).

It is noted that Candid®, a US organisation which provides information on the social sector (see Appendix I) offers Seals of Transparency to nonprofits, which can help foundations with the grant application process, but has the added benefit of raising a project’s profile. In the fullness of time, a version of this could be considered by the Hub.

Hub services could be expanded to embrace partnership arrangements and other functions as the platform matures (see below).
**Making the case to philanthropists**

The Hub is under no illusions that it will need to make its case to philanthropy and demonstrate clear reasons why the sector should engage. On the face of it, the Hub’s raison d’être may seem more convincing to the project side. However, if the Hub maintains its consistent approach to profiling and updating all relevant parties, and can undertake the first vetting of projects such that proposals can be put before social economy investors in an easy-to-interpret professional manner, it will have the effect of narrowing the market. Foundations and philanthropists will find it far easier to source as well as compare-and-contrast prospects. This will help them to diversify their portfolios by project type or geography; and the involvement of the Hub will assist with their own due diligence. The Hub will be mindful not to interfer with any strategic engagements already underway for funders (unless requested to do so), being set up to offer a purely complimentary service.

In summary, the Hub can provide philanthropists with a one-stop-shop offering consolidated access to the community of NEB projects deemed worthy of their attention. While the Hub is a forerunner to a single market in philanthropy, it will be ideally positioned to add an increasing amount of value as moves in that direction take hold.

**The Hub as an ongoing Centre of Innovation**

Alongside other priorities, the Hubs which influenced the recommendations in this report tend to be established as centres of innovation. It is envisioned that the NEB Funding Solutions Hub would be constituted in a similar manner and continue to innovate on any funding initiatives that demonstrate promise, including those investigated during phase one. It has become apparent that the time allocation required to fully scope out those early-stage investigations (to the point at which they could be presented with confidence as viable routes to repeat funding) is far greater than that set aside for the preparation of this report, but the Hub can ensure that they are not abandoned.

While work to more efficiently harness the backing of Europe’s philanthropists and to build a crowdfunding platform will be the initial priorities of the Hub, it is perfectly positioned to bring to the next level any of the above early-stage research & analysis. In particular, the study holds open the possibility that in the fullness of time the EU could play a central role in establishing funds appropriate to NEB objectives (to compliment other sources of funding); even working through a foundation formed specifically for such purposes. The Hub could benefit from interacting with various philanthropic bodies in advancing these goals. The Network of European Foundations (NEF), which provides a space for foundations to collaborate, could be helpful. The ECF and Philea are also important organisations in this respect, amongst others.

The philanthropic sector is not without its achievements to date in the funds space. While none observed provide a perfect template for the NEB, there are several worthy of mention,
including as to background and motivation, governance models and other aspects of how they came together and operate.

One such is the European Endowment for Democracy, established as an autonomous International Trust Fund by the EU and Member States in 2013 for the furtherance of democratic causes in the European Neighbourhood. It is a good example of member states working together with the EU towards a common goal.

Impressive initiatives taking place elsewhere among EU philanthropic actors are noted also. The Culture of Solidarity Fund created by the ECF in 2020 is an example of where pooled funds have been created for good causes despite the lack of a single market for philanthropy and the difficulties such circumstances have created.

In the field of social innovations, the study noted the European Social Catalyst Fund, which was established under the EU’s Horizon 2020 Research and Innovation Programme, Genio (Ireland), the Robert Bosch Stiftung (Germany), as well as the King Baudouin Foundation (Belgium). Genio lead the project, which provides a forum for philanthropists and social impact investors to form collaborations with the public sector to solve a variety of social challenges. The fund’s successor, the European Social Innovation Catalyst Fund, received enthusiastic mention in the SEAP as a way to take this important work forward.

Various other examples of worthy initiatives, including from times past (such as the backdrop to the formation of the Erasmus programme and the ECF’s role in establishing it), can also be drawn upon and the Hub will aim to prominently champion any that can bring to life the ambitions of the NEB, especially where a robust and replicable funding template is a prospect.

**Other Hub activities**

Alongside the core function of offering efficiencies to the way philanthropic funds are put to work, the Hub would be a pivot around which other services and signposts to separate EU programmes could be added. Indeed, wheresoever ultimately located (see Task Force considerations, Appendix II), it could include (formal and/or informal) cross-border representative units/points of contact, thus creating a Hub & Spoke approach allowing for the cross-fertilisation of ideas among various EU stakeholders.

During the consultation phase, certain suggestions emerged regarding both alternative roles the Hub could play and other EU relationships it could forge. One suggestion was that the Hub (or one of its funds should any reach fruition) in time could play the role of a financial intermediary of the European Investment Fund (EIF).

The new European Social Fund Plus (ESF+) was flagged also for closer consideration. It is the EU’s main instrument for investing in people and supporting the European Pillar of Social
Rights. It is noted that, while the majority of the budget (€98.5bn for the 2021 to 2027 period) will be allocated under shared management with the Member States, the Commission directly controls a smaller share (€762m) under the Employment and Social Innovation Strand (EaSI).

In each case, more research is required to identify relevant areas of crossover with NEB objectives and specific details of any approach envisioned would need to be developed over time and tested to ensure compatibility with the regulations, among other factors.

In general, developments in the granting side of the social economy trail those of the investment side in terms of both prominence and material initiatives, but it is likely there will be a narrowing of this gap over time. For example, under the SEAP the Commission is promising to provide grant support to compliment equity investments into social enterprises. It is reasonable to expect the Hub's role will grow in relevance off the back of such moves.

The Hub will also play an important monitoring and reporting role as the demands for a Single Market in Philanthropy grow louder. Unlike other advocates, it will provide an internal EU focal point for outside players to connect with and to collaborate on effective messaging. The Hub will pointedly seek to avoid duplication with the activities of other EU (including as regards other financing instruments) and member state programmes.

In addition, it should not in any way be seen to compete with existing industry bodies. Being a Commission-sponsored undertaking, the Hub will be positioned to play a purely complimentary role to any other voices for the sector, including those of Philea for example.

**Start Small and Incubate**

It is recognised that the Hub cannot be all things to all stakeholders, and practical considerations such as volume of inquiry, language barriers and other dynamics will need to be navigated. However, with a mission to simplify the process and with the backing of the Commission, it is not overly optimistic to expect meaningful progress early on, most especially if the investment in the database is properly undertaken and well managed.

Many operational aspects of the Hub are best deferred to a Task Force once an in-principle decision is taken to move forward, including, but not limited to, its name/brand, legal personality and relationship to the EU. Once various procedural matters are agreed, it makes sense to incubate a smaller pilot working through a limited number of projects and target social economy investors in order to inform the nature and extent of a larger commitment.

The creation of the Hub contemplates a small team (perhaps up to six new or redeployed people initially, but less for the incubation period) with half maintaining a broad bias towards the social economy investors, and the other focused on the project side. However, as with any small unit, all players would be expected to be able to interchange roles.
Engaging with a number of projects and foundations in Europe (for example the top 30 in the case of the latter, along with a selection of diverse smaller foundations for balance) would be a useful initial exercise to better understand a range of issues, including the time commitment to evaluate projects and the level of engagement observed from foundations and philanthropists. For a limited investment now, the NEB could start to glean early organisational advantage in terms of its funding objectives, but on a basis that is easily scalable as relevant developments take hold.

As the landscape shifts, the Hub will ensure the NEB and its partners are front-and-centre of these developments; positioned to benefit from any opportunities arising. While in the commercial world, the Hub can be considered something of a placeholder ahead of a particular market taking off, the social economy equivalent provides first-mover-advantage to the NEB for its objectives, and those of philanthropists, ahead of any such changes, while at the same time addressing a nagging concern among project promoters as to the lack of guidance and coordination in finding backing.

**Figure 8: Pre-Hub Incubation Unit**

Following the agreed parameters and principles for the Hub flowing from the Task Force, a small unit with minimal headcount and spending on other overheads could be assembled to commence early-stage preparatory work. It could incubate within the NEB, or work remotely. Activities would include:

- Commencing initial discussions with agreed selection of foundations for database inclusion
- Agreeing information-gathering templates
- Sounding out potential Validation Committee members
- Testing appropriate IT systems and providers
- Selecting sample project group for pilot
- Liaising with other relevant EU programmes
- Formalising all feedback

**Figure 9: Building towards a liquid funding model over time**

Source: Q4 Capital Advisors
Coordinating with Crowdfunding

Alongside philanthropy, crowdfunding as a source of funding has been considered by the NEB and a study on it commissioned separately. It is therefore beyond the scope of this report to develop in any detail how such a platform might look. However, any initiatives considered here will have to work seamlessly with the crowdfunding platform to be effective. During the research phase of this report, various conversations were held with the NEB expert focusing on crowdfunding and agreement was reached on the broad outline plan as to how the philanthropy and crowdfunding aspects of the exercise would interact, most particularly how crowdfunding would fit within the envisioned Financial Solutions Hub.

From a project perspective, most promoters can be expected to be largely agnostic as to the source of support for their ambitions. They will simply be confronted with a Single Point of Entry to the Hub and hence the whole philanthropic ecosystem. The Hub’s Social Economy Syndicate will evaluate validated projects and direct as appropriate to a funding source. From the foundation side, crowdfunding offers another route for annual budget allocation and may connect them with worthwhile prospects not otherwise on their radar.

Neither side is without its problems in coming together on a crowdfunding platform, but (especially post any refinements and adjustments made during the pilot phase) it is hoped that crowdfunding and philanthropy will eventually be seen simply as two sides of the same coin.

*Figure 10: The role of The Social Economy Syndicate*
Indicative costings

The Hub would require an initial investment, but the chief investment will be in organisation. Different models have been put forward based on cooperation among Directorate-Generals internally; and/or sourcing funds through other EU programmes and partners. For the incubation phase (see below) a select number of partners could be asked to assist; alternatively, existing headcount could be redeployed.

In terms of broad indicative numbers, while estimates vary, costings discussed with stakeholders during the course of these investigations, along with primary research, puts annual running costs in a range of c. €300k to €500k per annum, with the majority of that devoted to headcount costs; office, IT, insurance and accounting being the others. For the incubation phase it would be far lower. Nevertheless, it will only be through meaningful feedback emanating from both the Task Force and the incubating Hub (involving detailed scenario analysis) that a proper cost/revenue structure can be formulated for the Hub. The important thing at this stage is to move forward with a pilot so that any revenue and cost assumptions can be properly tested.

Ultimately, the proposition of enhanced efficiency and productivity that Hub services promise opens the door to a range of funding models, whether relying on grants, subscriptions, fees or based on some combination of all three. As the Hub grows, achieving its own economies of scale, all offerings should come at a progressively lower cost.

Table 1: Hub Estimated Annual Running Costs

<table>
<thead>
<tr>
<th>EUR p.a.</th>
<th>Incubation Phase</th>
<th>Intermediate</th>
<th>Mature Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>100,000</td>
<td>250,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Database (incl. development, maintenance, storage costs)</td>
<td>1,497</td>
<td>2,587</td>
<td>4,400</td>
</tr>
<tr>
<td>Other office overheads (incl. other IT, furniture, materials, maintenance)</td>
<td>2,497</td>
<td>2,993</td>
<td>2,497</td>
</tr>
<tr>
<td>Premises</td>
<td>0</td>
<td>17,500</td>
<td>24,000</td>
</tr>
<tr>
<td>Professional Services</td>
<td>3,000</td>
<td>5,000</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>107,430</strong></td>
<td><strong>278,000</strong></td>
<td><strong>445,317</strong></td>
</tr>
</tbody>
</table>

Assumptions:

1. Costs are highly indicative, not least as utilising existing personnel through cooperative agreements among DGs (especially in pilot stages); and/or sourcing funding through other programmes are all possible. All costs are subject to full appraisal and validation by the Hub Task Force.
2. Incorporation of crowdfunding: Incubation phase based on early-stage database work and certain other core activities only. It takes no account of crowdfunding. Only mature phase incorporates full crowdfunding platform where many of the costs would be shared with the Hub and is based on certain cost estimates from crowdfunding report (no attempt has been made to validate these figures independently).
3. Database cost estimates based on several sources (including costwlv.com and go.caspio.com).
4. Incubation phase requires just two (self-starting) primary personnel, rising to six for mature platform. Three are assumed to be senior, three intermediate (each of which would also share crowdfunding responsibilities). Personnel costs modelled on €85k senior, €55k for intermediate support.
5. No estimate has been made for junior support, or back-office functions. Estimated salary costs TBC.
6. Core IT requirement of searchable database either off-the-shelf, or based on modified existing EU platform.
7. Incubation phase assumes shared office space at NEB (or participating DG) can be sourced. Office space modelled on costs for Brussels, Euro Quarter (based on interoffices.com). Cheaper premises could likely be sourced and may be more appropriate, depending on outcome of Task Force deliberations.

Source: Q4 Capital Advisors
CONCLUSION AND RECOMMENDATIONS

The recommendations in this report have been informed by primary research and analysis as well as feedback received from key stakeholders. In particular, they have been guided by what is practical and achievable in the near term.

**Move forward with the Hub model**

In light of the operating environment for philanthropy in Europe at present, and in particular the absence of a stature for foundations and a more accommodating stance on several related areas, it is clear that the best way to make meaningful progress is through a model exploiting better organisation of the existing landscape. The Hub, originally conceived for philanthropy, is also an efficient way to combine with the crowdfunding platform, which requires many of the same systems and processes.

Overall, the author is convinced of the merits of the Hub model and (albeit in different industries) has seen various versions of it yield outstanding results.

Therefore the recommendation is to proceed on the basis of some kind of funding solutions Hub concept, howsoever branded and defined, but to do so initially by creating a Task Force to iron out a range of salient details that are beyond the scope of this report, most particularly the governance structure and the funding model (see Appendix II). In addition, these would include the precise legal personality of such a unit; its relationship to the NEB and other EU institutions, especially those that have identifiable points of crossover, including but not limited to InvestEU and Creative Europe. It should also seek to understand and be informed by the activities of relevant Directorate-Generals, including DG ECFIN, DG BUDG and DG REGIO, as well as bodies like EIT Culture & Creativity, at a minimum. And it would need to incorporate the decisions taken on crowdfunding.

Alongside initiatives to develop the Hub, two other observations arising from the overall study have made it through to the recommendations.

**Make greater use of EU soft power initiatives**

During the course of these investigations, one factor has presented itself prominently and repeatedly; that is the brand value of the EU and its various institutions, most particularly its impressive convening powers. It therefore seems sensible to harness this in some way towards the objectives of the NEB.

Of the scenarios explored, EU-Philanthropy Alignment Funding (which amounted to an effective deployment of soft power) received the most support and determined likely to be
obstacle free from a regulatory perspective, notwithstanding initial concerns regarding impact and a number of details (governance models for example) still to be ironed out. It is worthwhile to more fully investigate a version of this approach.

In addition, whilst recognising philanthropy’s independence, the EU could lead from the front in other ways also. These could include:

- Lending high-profile support to the Hub to ensure it grows and becomes increasingly more effective in advancing the objectives of the NEB;

- Convening forums on topical issues from time-to-time, followed by an agreed statement at the end championing a preferred way forward (as with EU or even G20 meetings that give direction on financial matters);

- Placing greater emphasis on its social media infrastructure to help frame and lead stakeholder thinking in the giving economy in a highly targeted way (for example, to support the use of pledges\textsuperscript{11} during Covid, or in regard to certain issues relating to public-philanthropic partnerships\textsuperscript{12}); and

- Routinely reviewing and updating if necessary EU soft power initiatives for effectiveness.

**Consider a merchandising model in time**

Finally, although not developed in detail through the body of this report as it lay just beyond the core remit, the reaction to the merchandising model explored under Alternative Innovative Ideas (see “A Blue Version of Red,” Appendix III) was noted both in open forum sessions and at other times. As the values of the NEB are widely held, a base case for a commercial initiative of some kind would appear to exist. This could be a way to raise supplementary Hub income; and/or to promote the NEB/Hub platform, including crowdfunding.

The report recommends conducting an early-stage feasibility study; at this point purely as to concept and fit within EU parameters. Should the incubating Hub progress in time to a mature platform, it is not inconceivable to see how such an approach might gain a popular following.
Principal Recommendations of The Report

- Move forward with the Financial Solutions Hub
- Establish Task Force and (pre-) Hub Pilot at the NEB
- Broaden soft power initiatives towards NEB goals
- Consider feasibility of NEB merchandising model (in time)
APPENDIX I: BACKGROUND TO THE HUB CONCEPT

A number of observations came together to inform the Hub idea, however it was noted that across the EU, one theme keeps emerging; that of some kind of Hub or one-stop-shop where grant/funding stakeholders can converge. The SEAP speaks of a new single EU Social Economy Gateway to provide a clear entry point for social economy stakeholders; while the InvestEU Programme has the Advisory Hub, a key part of the service, sitting alongside the InvestEU Fund and Portal. On top of this, encouraging feedback from various parties, as well as Working Group members (including The Arks Foundation), endorsed the merits of a single focal point approach.

Relevant parallels have also been identified, and inspiration drawn, from investment banking and the US philanthropy sector (see below).

Observations from existing EU institutions

InvestEU is an obvious platform from which to draw some inspiration as to how the Funding Solutions Hub could evolve in time, not least regarding how a project validation committee could be assembled, while the InvestEU Portal also provides parallels with the Dynamic Database of social economy investors contemplated here.

There are notable differences also, principally to do with the particulars of granting versus investing protocols. In the former, project-side stakeholders are likely to be less self-sufficient with the need for more guidance from the Hub, while the foundation and philanthropic social economy investors face a set of incentives very different from those observed among highly motivated early-stage/start-up angel and other equity investors interacting with InvestEU.

Figure 11: Genesis of The Funding Solutions Hub concept

Source: Q4 Capital Advisors
For this and other reasons, this report contemplates a graduated approach to the platform’s development. At the same time, it also envisages some type of consolidation taking place among EU platforms or at least a single gateway to reach them, whether in this case the Hub is part of the EU or is positioned on an arm’s-length basis.

**Capital markets hubs are commonplace**

Regarding inspiration gleaned from elsewhere, as mentioned in the forward to this document, the job of an EC expert includes bringing a fresh set of eyes and related experience from other areas to the challenges at hand.

In considering these particular circumstances, the study identified a private sector parallel in how certain investment banks positioned for the expected growth of ‘green bonds’ (bonds issued by companies specifically to fund climate and environmental-related projects). The coming development of green bonds was heralded for many years ahead of the frequent issuance we now witness in the capital markets, but with an uncertain outlook as to the timing of a ‘tipping point’ and therefore on costs and revenue.

With the promise of change coming at some stage, both in terms of a pan-European statute and the inevitable march of technical change (the latter being something other Directorate-Generals are heavily focused on), there is some equivalence with the European philanthropic landscape.

In the capital markets example, while some banks adopted a ‘wait-and-see’ approach, the more astute among them put in position small teams in anticipation of a tipping point coming at a future but uncertain date. For some this turned out to be more than five years ahead of such time, however these teams were far from idle and at a minimum covered costs during this period, while building brand awareness and accumulating significant knowledge.

Although the market had taken off somewhat earlier, in January 2020 the Financial Times declared that “Green bonds are red hot” and reminded that Apple launched a €2bn green bond offering in November 2019, one of the continent’s largest. When it occurred, the significant growth in sustainable finance encouraged banks to upscale established platforms into larger integrated Environmental, Social and Governance (ESG) Hubs, which they could do quickly having already laid the foundations. From this vantage point a more substantial investment could be made with confidence.

It appears that banks which made this early-stage capital commitment (phase 1), in-effect bought an option to be at the table post the tipping point (phase 2), avoiding a scramble to catch up. Equally, by making a measured initial investment, the platforms could just as easily have been unwound at minimal cost had the market not taken off in line with expectations.
The report acknowledges the significant differences between the highly competitive commercial sector of investment banking and that of the NEB, but it nevertheless sees clear take-aways for any enterprise or organisation in how best to prepare in the face of uncertainty.

A consistent message is to start small but in a way that is quickly scalable.

**Lessons from America**

During the preparation of the report, various relevant industry organisations were looked at in the US\(^1\). Some merely underscored how the US philanthropic sector differs from Europe, while others offered key take-aways on what appear to be worthwhile philanthropic practices.

One organisation in particular, Candid was notable. It is a New York-based donor- and fee-funded non-profit that connects other non-profits with foundations and individuals in a range of ways. What stood out in particular were its data tools.

Candid was formed in 2019 by bringing together what they claim was the largest source of information about philanthropy globally (Foundation Center), with the largest source of information on US nonprofit organisations (GuideStar). Combining these databases with new features and upgrades enabled Candid to offer comprehensive, real-time information about the social sector. What is now evident is the ease with which both sides can access this data to be better informed. For example, Candid’s database contains key details on foundations, including their location, type, size, giving history and any open requests.

According to Candid, 90% of US foundations don’t have a website. But Candid’s own website states that its database can connect stakeholders to 242,000 US Foundations. The foundations in turn benefit from its profiles on non-profit organisations. These cover details such as mission, vision, values, programs, staffing and governance details.

In addition, Candid offers Seals of Transparency to nonprofits, greatly assisting foundations with the grant application process. According to Candid, it also increases the nonprofit’s profile on Candid’s website, and as a further benefit it does the same with partner platforms, which they list as including AmazonSmile and Facebook Fundraisers.

More than anything, the Candid example comes across as a triumph of information management. Although no doubt the product of a long-standing investment in data and technology, there would appear to be no reason why a limited version of it could not be commenced immediately targeting a select number of foundations and projects with the aim of furthering the goals of the NEB.

Although an ambition that must come to fruition over time, any investment in the data analytics side of the Hub is likely to start paying dividends early on.
As a preliminary step to take the Hub forward from concept phase to a pilot and ultimately to develop a mature platform, it will be necessary for a Task Force to be assembled so that it can consider a range of salient aspects, from appropriate legal and governance structure through to a detailed appraisal of all direct and indirect costs.

Included below are a list of certain key priorities the Task Force will likely look at, but it is by no means a definitive list, not least as many aspects will only present once the detailed questions start to be asked.

Table 2: Identifying initial priorities for the Task Force

<table>
<thead>
<tr>
<th>General</th>
<th>Social Economy Database</th>
<th>Incorporating Crowdfunding Platform</th>
<th>Project Scoring</th>
<th>Validation Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>• Appropriate IT system</td>
<td>• Evaluate different models</td>
<td>• Project Scoring Template</td>
<td>• Structure</td>
</tr>
<tr>
<td>Location</td>
<td>• Evaluate existing EU comparables</td>
<td>• Integration of crowdfunding platform</td>
<td>• Develop key criteria: e.g. necessary approvals, local authority support, size,</td>
<td>• Look to other EU</td>
</tr>
<tr>
<td>Legal personality</td>
<td>• IT procurement options</td>
<td>• Name / Branding</td>
<td>project vision and other relevant factors</td>
<td>institutions for guidance</td>
</tr>
<tr>
<td>Name / Branding</td>
<td>• Optimal approach to profile Social Economy Investors</td>
<td>• Identify shared processes and costs</td>
<td>• Seek efficiencies</td>
<td>• Consider external model, as per InvestEU</td>
</tr>
<tr>
<td>Headcount and cost</td>
<td>• Maintenance and information storage options</td>
<td>• Approach as two sides of the same coin</td>
<td>• Due Diligence</td>
<td>• Sound out participants</td>
</tr>
<tr>
<td>analysis</td>
<td>• Test and seek improvements</td>
<td>• Marketing strategy</td>
<td>• Model expected volume; consider implications</td>
<td>• Seek efficiencies</td>
</tr>
<tr>
<td>Regulatory compatibility of all ideas</td>
<td></td>
<td></td>
<td></td>
<td>• Seal of Excellence options</td>
</tr>
</tbody>
</table>
APPENDIX III: ALTERNATIVE INNOVATIVE IDEAS

In line with the core mandate, the study sought to deploy original thinking and ideas to the financing of the NEB’s objectives, with a primary focus on philanthropy. However, in the course of the various investigations undertaken, information came to light which the author believes holds relevance to the broader reach and direction of the NEB, particularly as regards its ambition to use innovative forms of finance. A summary of these are included here.

A Blue Version of RED

Explore launching a commercial initiative based loosely on the RED campaign in order to co-opt private finance (as with Crowdfunding) via a merchandising funding model towards the goals of the NEB.

In the case of RED, it is a licensed brand stylised as (PRODUCT)RED which works with partner companies (including Apple, Nike, Starbucks, etc.) to raise funds for The Global Fund to Fight AIDS, Tuberculosis and Malaria. Today RED is being used to fight the impact of Covid. Thus far, over $700 million has been raised for the Global Fund.

RED is a division of The ONE Campaign (which boasts an ability to advocate at grassroots level). Although in a very different context, this is an alignment of sorts with the NEB objectives to deliver change on the ground.

Whereas the EC brand may be trusted if operating as a credit-counterparty (or equivalent), feedback suggests the NEB brand may be a better starting point for such a campaign. The problem is likely to persist that an EC-branded initiative will run up against the argument that it already has sufficient funds to support the causes in question.

RED argues that their products save lives; here the contention could be that they save the environment.
Additional Discussion Points

Among other areas not touched on elsewhere in the report, participants in the open forum Working Group session were invited to consider certain other developments likely to impact the philanthropic landscape in the near future.

Relevant shifts in technology, whether by way of new developments or new applications of existing knowledge and systems, were presented. Perhaps the most eye-catching was Blockchain with its many potential applications and ability to disrupt markets, ecosystems and various governmental sets of arrangement.

During the course of this report’s preparation, the author noticed a wide variation in the reaction of stakeholders (EU and non-EU) to Blockchain in particular, ranging from the more common inclination to merely keep a watching brief through to a palpably urgent sense that action is required and soon.

What is clear is that, with the pace of change we now witness, doing nothing should not be an option. A unit such as the Funding Solutions Hub is ideally placed to include developments in Blockchain in its knowledge reservoir.

To be categorised as “green,” NextGenEU (NGEU) bonds need equivalent “Use of Proceeds”. The discussion also explored whether NEB projects could in time part fulfil such a role; giving rise to de-facto Bauhaus Bonds.

The Recovery & Resilience Facility (R&RF), which is the centerpiece of NGEU and is designed to mitigate the impact of the pandemic, is the route through which this could possibly happen as it includes provision for grant funding. No immediate action or application was identified, but again these are areas the Hub could seamlessly monitor and report on.

It was generally agreed that a key attribute of the EU and its various institutions is its incomparable convening power. The discussion contemplated other and perhaps more imaginative ways in which this would be used, especially in support of the NEB’s funding objectives. Although this aspect is addressed in the recommendations section, given the versatility with which it could be deployed, ongoing discussions are worthwhile.
1. The Financial Regulation is the main point of reference for the principles and procedures governing the establishment, implementation and control of the EU budget. The current versions of the Financial Regulation applies from 2 August 2018.

2. See “Comparative Highlights of Foundation Laws” (joint-Dafne/EFC publication; October 2021).

3. “Potential EU co-investment facility with philanthropy for social innovation and inclusion” – Report from the First Policy Convening Event, 26 October 2021; as well as the Philea press release of 15/12/21 referencing same.


5. Involving discussions and assistance from DG REGIO and DG ECFIN, among others, in interpreting the relevant regulations; including, but not limited to, Article 2.9 and Article 73 from Regulation 2021/1060 (Common Provisions Regulation) and Article 62 and 154 of the Financial Regulation (applicable to the general budget of the union).

6. Including certain ECJ rulings on non-discrimination that support equal treatment for those giving or investing for public benefit so long as they are located in the EU.

7. The term Social Economy Syndicate is coined from the term “Debt Syndicate,” which is the unit in investment banks that matches bond market borrowers with investors, (by mapping investors’ appetite for certain sectors, industries, transaction sizes, credit quality and investment time horizon, among other requirements) and adding the social economy mission envisioned here. In this example, we consider foundations and philanthropists as investors in the social economy.

8. Candid (candnd.org) is a US information service provider specialising in reporting on US nonprofits and foundations. It maintains detailed databases on grantmakers, conducts research and trends in US foundation growth and developments, among other activities.

9. Initial assessments of the Hub headcount requirements are compiled in isolation of the needs of the crowdfunding platform. Personnel needs in particular will be revised once the findings of the two reports are amalgamated during the Task Force phase. However, it is also noted that in bringing the two sides together there would be a crossover of responsibilities and so a straightforward headcount aggregation is not envisioned. Account has been taken of this in the indicative costings.

10. This particular term is used purely for the purposes of the report. It is not intended to be a name/brand recommendation, which would require further work should the concept be agreed.

11. In response to Covid-19, the US Council on Foundations (CoF), an organisation representing philanthropists, initiated a pledge asking funders and other leaders in the sector to make a number of helpful commitments, including loosening various restrictions on grants and reporting requirements. Although pledges have been used in Europe also, the EU could perhaps prominently champion the take-up of such initiatives and also support other undertakings to nudge change.

12. Building on, among others, the initiative under point 3 above, it is noted that the CoF has a senior advisor dedicated to managing public-philanthropic partnerships.

13. Such as DG FISMA for example.

The following forms the basis of the primary source reference consulted for the report. It does not constitute a definitive list of all materials reviewed, not least as, along with notes from interviews with relevant parties, various additional media sources to those included below and linked websites, as well as YouTube videos, formed an important part of the overall analysis.


4. Belonging - Opening of the largest ever exhibition of EIB Art Collection, European Investment Bank (EIB) Institute.


8. “Creating our future: creativity and cultural heritage as strategic resources for a diverse and democratic Europe,” Council of Europe Conference of Ministers of Culture, Strasbourg, Philippe Kern, Managing Director, KEA European Affairs, 1 April 2022.


10. EIT Culture & Creativity, Investment Club Overview.


15. “European Philanthropy: an untapped potential,” (Exploratory opinion requested by the Romanian Presidency), European Economic and Social Committee.


20. LIMERICK 2030 REGENERATION PROGRAMME, European Investment Bank, 10/06/2021.

21. Malta makes an entrance (out of local limestone!), EIB podcast.


26. PHILANTHROPY HANDBOOK, Coutts.

27. “Potential EU co-investment Facility with philanthropy for social innovation and inclusion” – Report from the First Policy Convening Event, 26 October 2021; as well as the Philea press release of 15/12/21 referencing same.

28. Recommendation CM/Rec(2022)15 of the Committee of Ministers to member States on the role of culture, cultural heritage and landscape in helping to address global challenges, Council of Europe.


30. “Rejection of European Foundation Statute a ‘missed opportunity,” Alliance (for philanthropy and social investment worldwide), 02/03/2015.


34. “Will the crypto crash derail the next web revolution?” - Financial Times, 06/07/2022.
NEB LAB: INNOVATIVE FUNDING - PHILANTHROPY, WORKING GROUP

1. EC, Joint Research Centre, New European Bauhaus

2. EC Directorate-General for Economic and Financial Affairs (DG ECFIN)

3. European Cultural Foundation

4. FEDORA

5. Philea

6. The Arks Foundation
ABOUT THE AUTHOR

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