



*Innovation*

*and Catholic Service*

*to Community*

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Foreword by Brian Crimmins

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**Changing Our World, Inc.** is a leading international consulting firm providing personalized solutions in all areas of fundraising and philanthropy, and the partner of choice for Catholic archdioceses, dioceses, parishes, schools and Catholic organizations nationwide. Our deep belief and understanding of Christian stewardship inspires our passion to serve the Catholic Church. Cultivating a “stewardship way of life” is central to the spirit of joyful giving we seek to impart in all Catholics—encouraging each person toward active participation in his or her faith.

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### **About the Author**

**Susan Raymond, Ph.D.** is Executive Vice President for Research and Analytics for Changing Our World. In February of 2011, Women United in Philanthropy honored Susan with the Women in Excellence and Achievement Award. Susan has extensive experience in research, analysis and planning. At Changing Our World, Dr. Raymond is responsible for designing and conducting business operating environment research for both nonprofits and foundations, as well as developing business plans and program evaluations for new and existing institutions. Some of Susan’s clients include The National 4-H Council, The Alliance for Global Good, The US Fund for UNICEF, and St. John’s University.

Susan is an established author in the midst of completing her fourth book, *Recession Recovery and Renewal: Nonprofit Strategy During Rapid Economic Change*, will be published in early 2013. She is a regular international conference speaker on the future role of philanthropy in economic growth and civil society.

### **Acknowledgments**

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## Foreword

from Brian Crimmins,  
CEO, Changing Our World, Inc.

The Catholic Church has always been, and continues to be, a ‘greater force for good’ in the fields of education, healthcare, social service and social justice. This is true internationally through missions; nationally through the USCCB, Catholic Charities and Catholic Relief Services; regionally through archdioceses and dioceses; and locally through parishes and schools. However, the Church has not always done a thorough job of communicating the ‘good’ it does, and often allows ‘others’ to tell their story.

When Catholics began arriving in the United States, they were the smallest, poorest, and least educated of the population. Now, Catholics make up the single largest faith denomination in the United States and are among some of the most affluent, educated, and influential portions of the population.

Today’s ‘active’ Catholics demand a greater deal of accountability when it comes to their philanthropy to the Church. To accommodate, engage and serve, Catholic organizations must continue to transform the ways in which they engage their communities as well as their approach to securing philanthropy.

It is time to diversify revenue streams, revolutionize the approach to philanthropists and embrace innovation, while also maintaining the traditions and practices upon which the Catholic Church has been successful. The following report provides examples and strategies of how this is being done.

It is an honor to assist in information and knowledge sharing that allows organizations to learn from one another. It has been a privilege to be a part of the development and execution of strategies included in this report, and I personally look forward to being an active participant in the continued evolution of innovation and Catholic service to the community.



## Introduction

Though buffeted by the Great Recession, giving in America still represents nearly a third of a trillion dollars annually. This, by any measure, is not loose change out of the nation's sock drawer. But that resource flow is an increasingly poor measure of what is actually happening to private resource mobilization for problem solving on the national (and global) societal commons. New money is moving in new ways from a new generation of philanthropists. And both new and old nonprofits are finding that a commitment to mission is not incompatible with an eye to markets.

Grants and cash from individuals, foundations and corporations continue to be the anchor of philanthropy. But these are joined by a wide variety of innovations, from program related investing to social impact investing to social enterprise development. Philanthropists, especially those of the new generation, overwhelmingly look for results. They are not interested in writing checks for problems; they are interested in investing in solutions. Their resources – which may not have been deployed for problem solving absent innovation – represent new capacities on the societal commons.

This general trend toward innovation in organizational form and in social finance represents a tremendous opportunity for Catholic institutions. Innovation can create new revenue streams as well as provide new and often more effective programming opportunities. It can position Catholic institutions as leaders in the nonprofit sector, and hence attract the attention and leadership of a new generation of philanthropists.

Innovation on the societal commons is not new in the history of Catholic institutions. As early as the 15th century, members of the Dominican and Franciscan religious orders in Italy developed early types of social banks to provide credit to the poor and to combat usury.<sup>1</sup> Catholic cooperative banks in the late 19th and early 20th century became the social finance institutions for social movements in Italy. These early Catholic social banks had three purposes:

- Fund community development initiatives that were being carried out by institutions with no capacity for servicing commercial debt
- Support charitable works through profit allocations to needs
- Meet the needs and interests of local communities

In the mid-1950s, worker owned and managed businesses in the Basque area of Spain, now the Mondragon Cooperatives Corporation, originally organized by Fr. Don Jose



Arizmendi, brought the intersection between social finance and markets to poor rural areas.

This paper examines the scope of Catholic institutional presence on the societal commons of the United States and their economic importance. Fueling that presence, in part, has been traditional philanthropy, the donation of dollars and services to Catholic institutions (educational, health care and social services) dedicated to common needs. The level of that philanthropy is also examined.

The paper then documents the leadership of Catholic institutions in innovative areas of modern social finance, from enterprise to microfinance, which have both created new revenue opportunities for financing social services and broadened and strengthened the social reach of these institutions.

## The Scope of Catholic Institutional Presence

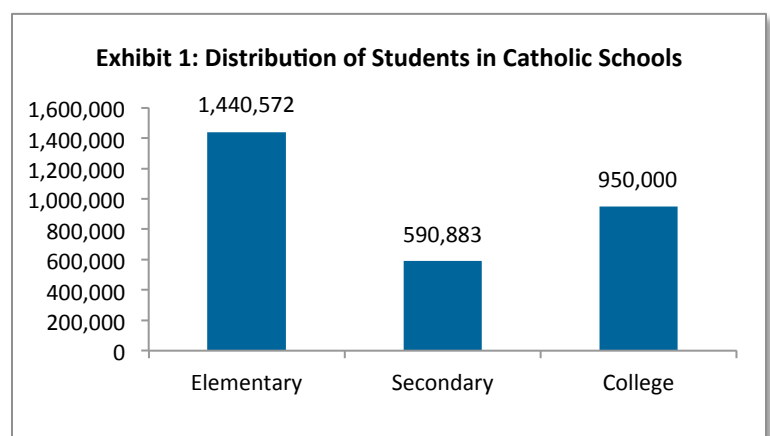
Catholic institutions form the backbone of health, education and social services in many communities.

Catholic health care facilities account for 12% of all community hospitals in the nation and 16% of all hospital admissions. In 20 states, Catholic providers account for more than 20% of all admissions, and in the Midwest, Catholic health care provides a third or more of all hospital services.

Catholic health care is particularly important to American cities. Over 71% of Catholic hospitals, and 84% of its long term care facilities, are located in urban areas.

Catholic facilities provide care for one in five of the nation's Medicare and Medicaid patients. They care for more Medicare patients each year than either the for-profit systems or the public (government) health systems.

Nationwide, Catholic K-12 schools enroll 12 percent of all students and 43% of private school enrollment.

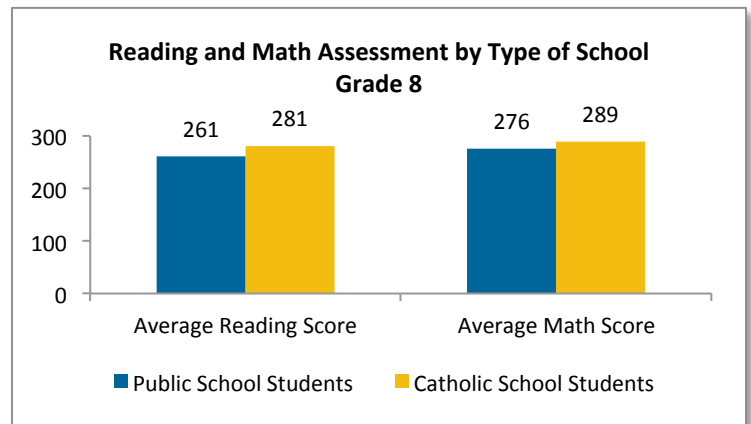
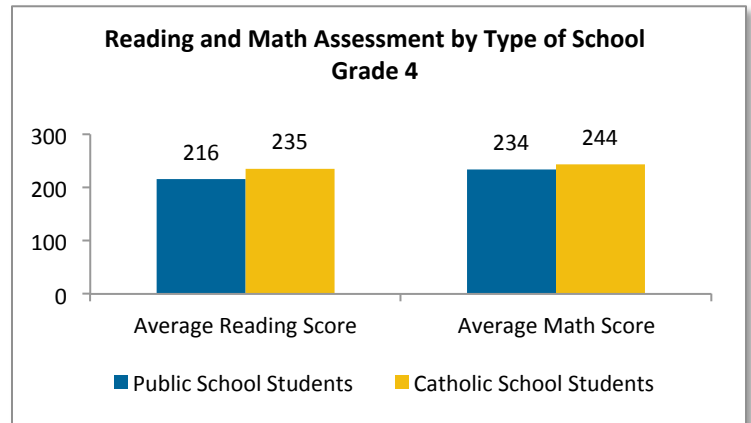


Source: National Catholic Educational Association & Association of Catholic Colleges and Universities



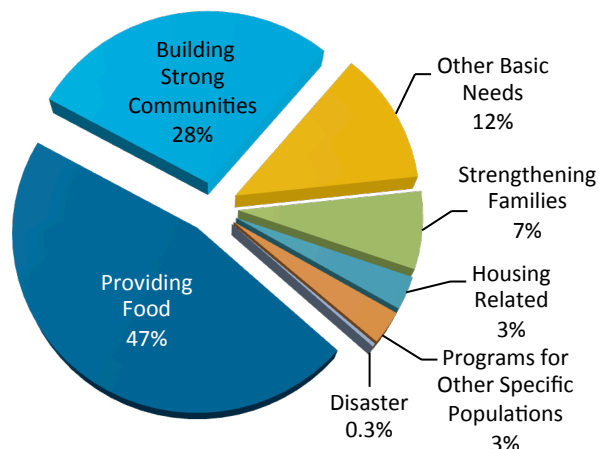
The educational success of Catholic schools is particularly striking. Some 97% of graduates of Catholic secondary schools go on for post-secondary education, compared to 56.6% of the graduating population overall. This is particularly striking when juxtaposed against expenditures. Average Catholic school spending per pupil for secondary schools is about \$7,200 compared to the national average of \$8,855.

Academically, Catholic school students display higher test scores than their public school counterparts, although they often come from equally disadvantaged backgrounds. SAT I scores are 15 to 30 points higher than public school students. The National Assessment of Educational Progress of the U.S. Department of Education in 2002 showed similar results at earlier ages. At Grade 4, 44% of Catholic school students scored at the proficient to advanced level on



Source: U.S. Department of Education: National Center for Education Statistics, National Assessment of Educational Progress

#### Catholic Charities Services Provided to Clients



Source: Center for Applied Research in the Apostolate, Georgetown University, Washington, DC: Catholic Charities USA 2011 Annual Survey Final Report



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achievement tests, compared to 29% of public school students. By Grade 8, 50% of students were proficient or better, compared to 34% of public school students.

Over 240 Catholic institutions of higher learning enroll 18% of the students in private colleges and universities. In recent years, the growth of enrollment in these institutions has outpaced that of other private institutions of higher learning. Moreover, Catholic institutions are (and have long been) key players in the education of women. Today, 63% of students on Catholic campuses are women, compared to 54% in other 4-year

private schools. Catholic higher education includes 5 medical colleges, 26 law schools, 17 engineering schools, 81 schools of nursing, and 3 research universities.

In social services, the Catholic presence is even more striking.

There are 170 Catholic Charities across the nation with \$4.6 billion in revenues and \$4.4 billion of expenditures for all manner of social services to the poor and needy. Catholic Charities annually provide services to over 10 million people, a double digit increase in recent years on the heels of the recession. Indeed, in 2010, Catholic Charities served nearly a quarter of the 46 million Americans living in poverty and engaged more than a quarter of a million volunteers in its work.

Catholic institutions in the United States also service the world, not simply through their work with immigrants in this country, but through their participation in providing the relief and development services abroad. Documenting the scope of these services is difficult. Nearly every Catholic religious community has members providing educational, health and social services in poverty settings abroad. Nearly every parish engages in some type of global service or giving. The two largest Catholic relief organizations alone, Catholic Relief Services and the Catholic Medical Mission Board, distribute nearly \$700 million each year to overseas relief and development programs.

Exhibit 5 summarizes the breadth and scope of the presence of Catholic institutions in addressing societal needs. This represents the largest multi-disciplined, multi-service nonprofit system of services in the nation serving peoples of all backgrounds and of all faiths.

**Exhibit 5: Summary of U.S. Catholic Education and Service Institutions**

Institution Type	Number of Institutions	People Served
Hospitals	629	88.5 million
Health Care Centers	363	5 million
K-12 Education	6841	2.2 million
Higher Education	244	0.9 million
Catholic Charities (social services)	170	4.2 million
Catholic Charities (hunger services)	N/A	7.2 million
Global Relief and Development (CRS and CMMB only)	2	>100 million

*Sources: United States Conference of Catholic Bishops, Catholic Health Care and Social Services Statistics; National Catholic Education Association, United States Catholic Elementary and Secondary Schools 2011-2012, The Annual Statistical Report on Schools, Enrollment and Staffing; Association of Catholic Colleges and Universities; Center for Applied Research in the Apostolate, Georgetown University, Washington, DC: Catholic Charities USA 2011 Annual Survey Final Report; Catholic Relief Services & Catholic Medical Mission Board*



## Economic Value of Catholic Institutions

The economic value of all of these services is profound. There are no nationwide, comprehensive studies of that impact across all areas of Catholic service provision. However, two case studies provide some sense of the scope.

A 2003 study by Joseph Tierney<sup>2</sup> found that community-serving institutions operated by the Catholic Church provided \$1.2 billion in social, outreach and community services in the Philadelphia area alone. This represents about twice the human services budget of the City of Philadelphia in 2010.<sup>3</sup>

The U.S. Council of Catholic Bishops estimates that, based on the average public school expenditure per student, Catholic schools save the nation's public school systems in excess of \$20 billion per year. In New York City alone, the estimate is \$3 billion.<sup>4</sup>

But the economic role goes beyond public budget savings. In Baltimore, a study of the economic benefits of Catholic schools found that the schools of the Archdiocese of Baltimore support nearly 5,400 jobs for labor income of \$212 million. The schools, which receive little or no government financial support, saved state and local governments \$380 million in education expenditures. Taking into account higher comparative graduation and college attendance rates, the study estimates that Catholic school graduates will generate \$5.2 billion more in lifetime earnings than their public education peers, or a quarter of a million dollars per graduate over his or her earning lifetime.<sup>5</sup>

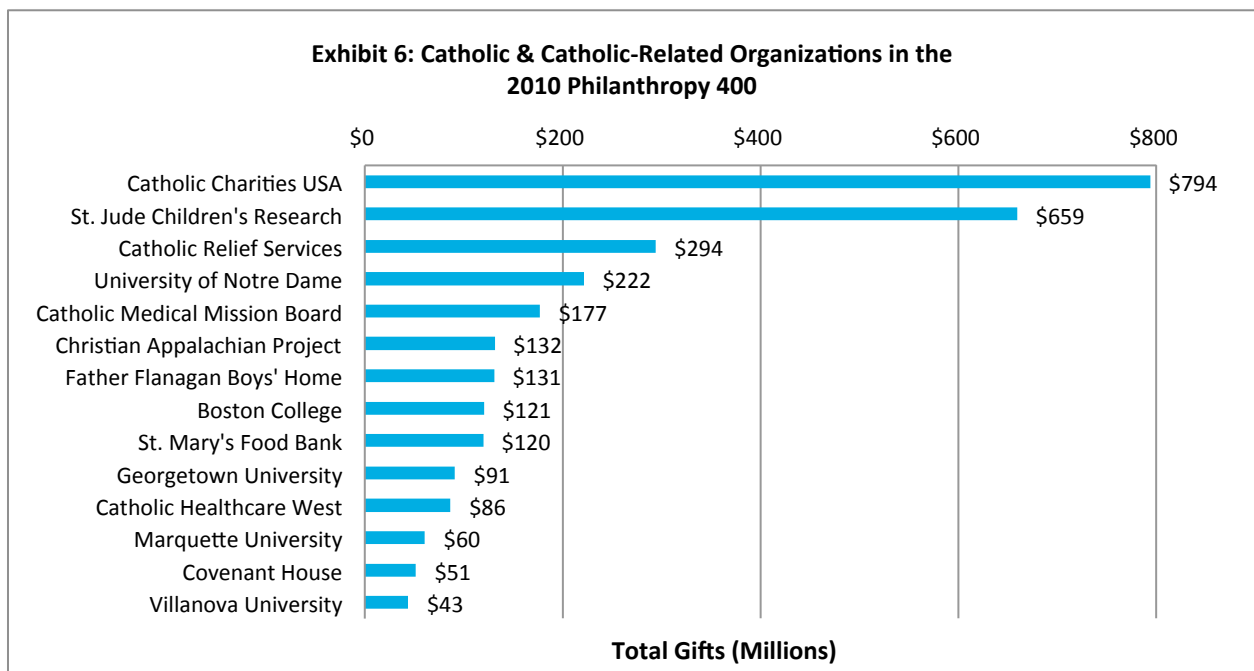
## Catholic Giving

Where does the money come from? While government resources play an important part in social services, health care, and often global development, and tuition payments are the anchor for education, Catholic philanthropy is still critical.

Catholics represent 21% of the nation's population and 74% of Catholic families make philanthropic contributions each year. On average, Catholic giving as a percent of household income approximates that of the nation overall (1%-2%). However, while nearly three quarters of Catholic households make philanthropic contributions, only 52% give to religious organizations per se.







Source: Catholic News Service (CNS Blog)

Hence, the extensive and critical network of Catholic institutions on the societal landscape will increasingly require innovative and entrepreneurial approaches to fundraising and to revenue generation to ensure that programs can continue and that services offered can meet changing needs and aborning opportunities.

## The Arc of Innovation

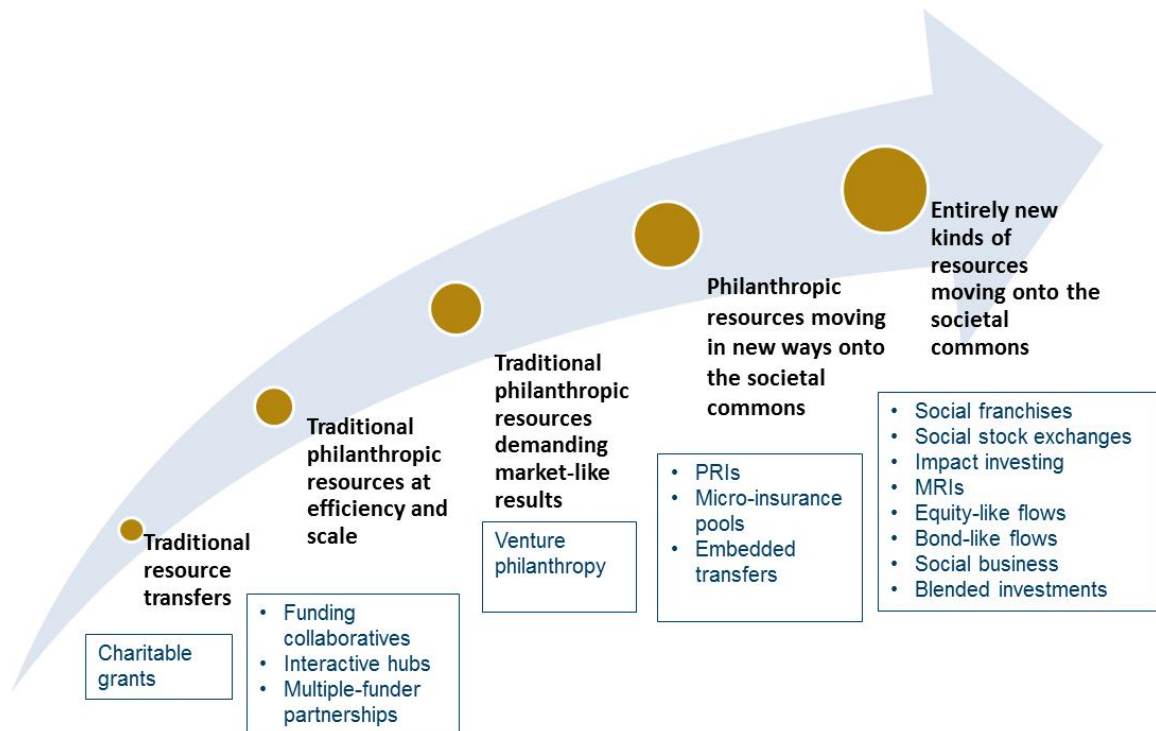
In parallel, there has been an expansion in the way individuals think about the resources needed to fuel efforts to meet society's shared needs, both in the nonprofit/philanthropic and in the commercial sector.

We can conceptualize these innovations as an arc of change,<sup>6</sup> with charitable contributions anchoring the base of the arc.



As noted in Exhibit 7, traditional charitable giving remains critical to the range of revenue options. But it is supplemented by a variety of stages in which resources become tied to performance and scale.

**Exhibit 7: The Arc of Social Innovation**



The first stage of evolution from charitable grantmaking is a movement to create systems and institutions that will encourage collaboration of both donors and recipients to achieve efficiency and scale. The resources are traditional – grants – but those who give seek to aggregate multiple sources of funds to get resource flows to scale. An example is the END Fund, being created with seed financing from Legatum in London to attract multiple donors to a pooled fund for elimination of neglected tropical diseases in Africa. The resources are still philanthropic; the mode is still grants; but scale is sought through pooling.

The second stage of evolution moves from efficiency and scale to evidence and results. At this point, philanthropy begins treating grantmaking as an investment in solutions, not as cash for problems. Again, the resource is the same – grants – but philanthropic institutions demand detailed evidence of impact, and often look for clear economic results from solutions. The emphasis is on sustainability of problem solving through the

creation of institutions that can generate continued resources in support of operations. Omidyar's work in venture philanthropy is an example of this next stage of evolution.

The third stage of evolution takes traditional resources one step further. Grantmaking becomes actual investment, albeit still with philanthropic (donated) resources. There are a myriad of variations in this stage. Foundations add program related investments to their resource transfer strategy, using both grant and capital to lend rather than grant money to nonprofits.

But there are other innovations at this point in the evolutionary arc. Philanthropy becomes embedded, for example, in other non-philanthropic transactions. RED, for example, is a strategy that flows philanthropy from a commercial (not a philanthropic) transaction.

In a more recent example, and one tied more closely to evolving technological capacity, Socialvest is a free browser app that empowers consumers to earn funds for nonprofits by shopping at more than 800 retailers via the web. Individuals register with Socialvest. Retailers agree to allocate a percentage of a sale into a "bank account" which the shopper maintains and which he/she can use at any time to transfer resources to a registered charity of choice. All 1.6 million nonprofits currently registered with the IRS are listed as charity options. While not all Catholic organizations are registered with the IRS, they are also starting to join Socialvest as potential recipients. The process costs the consumer nothing; the resources come from the retailer as a percentage of the sale. The retail market and the philanthropic cause are integrated at the point of sale.

Social enterprises (nonprofit or not) attract investment to produce commercial products and services that have a social impact or that address social needs in the process of their creation. Sweet Beginnings in Chicago is an example of an urban apiary that is a nonprofit but profitable operation. It produces honey and honey-related products by hiring recently incarcerated young men, with a recidivism rate that is fractions of that of the state of Illinois.

The important point is that these are "all of resource" approaches that use capital, commerce and philanthropy in integrated strategies.

The final stage of evolution completely blurs the line between "philanthropy" as traditionally defined and other types of flows to solve social problems. "Social stock exchanges" are being developed in Asia and Latin America to list both for-profit and nonprofit social enterprises and attract investment-grade capital to the nonprofit sector.



“Impact investing” is widespread, with commercial providing capital to organizations for a combination of measurable social and financial return.

JP Morgan has an entire impact investment staff, and they estimate that this approach to combining social impact with commercial investment has the potential to be an asset class. If that is true, we are talking trillions of dollars – not billions – for social problem solving. Interestingly, the study was financed by the Rockefeller Foundation. No one at JP Morgan considers impact investing to be “philanthropy” as traditionally defined. It is investing with a social return. But that social return is on the very societal commons that was historically occupied by philanthropy.

The variations are myriad, and many have as their point of origin the younger leaders in the global financial and technology communities who have broken through traditional silos in their own industries, and are applying such creativity to their social commitments. These are people for whom change is the essence of life, not the subject of fear. We are only at the beginnings of the variations that will appear for how to bring finance to social problem solving.

Where are Catholic institutions on this Arc?

## Innovation

Catholic institutions, however, are not simply relying on government, fees and individual generosity to ensure continued services. Nor are they sitting on their programmatic laurels in terms of the arc of innovation. Catholic institutions are to be found both on the resource distribution and the resource acquisition side of the social finance equation. The following provide a few examples of the scope of innovation among Catholic institutions and service sectors, both in the U.S. and abroad.

### ***Catholic Religious Communities***

Religious communities of Catholic men and women have long turned to enterprise to fund their core costs and to fund their services to the poor and needy. This continues to be the case today. The site [www.monasterygreetings.com](http://www.monasterygreetings.com) lists a wide range of products from monasteries, abbeys, convents and heritages. The products range from beer to skin creams to all manner of foods. Indeed, Belgian Trappist monastery beers are considered among the finest artisanal beers in the world.

For many communities, the entry into commercial markets using products derived from within the communities’ own natural resources are critical to sustainability. It was in



part a partnership with a local brewer that contributed to the rebirth of the New Clairvaux monastery in California,<sup>7</sup> and the charitable works of the Teresian Carmelite monastery in Massachusetts that depend significantly on revenues from a skin cream whose patent rights were donated to the monastery by a local research scientist.<sup>8</sup>

While these are important and often innovative approaches to revenue generation, most are not “social enterprise” in the core definition of the term. They use the resources of the community (arbors, apiaries, etc.) for the inputs to products, but the products themselves are not extensions of the deeper mission. They are critical commercial solutions to revenue generation to fund the mission of the community in the same way that, for example, a hospital’s gift store funds its operations but is not an expression of its medical mission. The religious community’s product itself may not be an expression of that mission even though it produces revenue for that mission. Hence, many are not “social enterprises” in the sense of being an extension of core mission.

There are a number of Catholic religious communities which have extended this history and tradition into the social enterprise space. In several rural areas, religious communities are combining their commitments to the land with conservation and sustainability practices that produce goods that are a product of mission. The Dominican Sisters of Great Bend, Kansas operate Heartland Farm as an expression of their ministry to heal the earth and minister to peace and justice. The farm both offers education programs in ecology, alternative energy and organic farming, and sells organic produce in season. Similarly, the Sisters of St. Francis Oldenburg in Indiana operate Michaela Farm as an extension of their mission to uphold the integrity of creation in the spirit of St. Francis emphasizing the relationships between land, plants, animals and humans. The organic farm sells its produce and other products in the marketplace.

Innovation consistent with mission is also to be found in the financial space. Clann Credo in Ireland is a social investment fund set up by the Presentation Sisters in 1996. Consistent with Catholic social tradition and the mission of the religious community, the fund provides loans for organizations focused on training programs for drug addiction and job creation for the unemployed, as well as providing investment capital for social programs to purchase their own program premises to contribute to financial sustainability. Since its creation, the fund has received capital from a variety of Catholic religious orders and has invested in over 150 projects.

### ***Catholic Health Care***

As noted in the Introduction, Catholic health care is critical to the nation’s health care system. But Catholic health care institutions are also active in leveraging their size and community roots to become significant resource pools for community social enterprise.



Ascension Health, which combines the health systems of the Daughters of Charity, the Congregation of Sisters of St. Joseph and the Sisters of St. Joseph Carondelet, is the largest nonprofit health care system in America. The mission of Ascension Health is to serve all persons with special attention to the poor and vulnerable.

In partnership with St. John Providence Health System, Ascension, headquartered in St. Louis, has created Enterprising Health, a business accelerator for social entrepreneurs with innovative solutions to improve health in Detroit and the surrounding communities. Recognizing that health improvement and health promotion in economically challenged communities could never be achieved simply by excellence in clinical care, Ascension Health has embarked on an effort to facilitate the creation of health-promoting business concepts in and by these communities. An example is a web-based grocery store that will deliver fresh food throughout Detroit or a service business to improve health literacy among new mothers to reduce infant illness. The result will both create jobs in new community-based businesses and power new, sustainable approaches to reducing the burden of disease in the community.

A second example is the Direct Community Investment Program of Catholic Health Initiatives, a national Catholic health provider headquartered in Denver. Founded with the mission to provide the best health available to all, including underserved communities, Catholic Health Initiatives created the Program in 1999 by providing two percent of its total operating investment program assets as direct community investment. Since then, the Program has invested more than \$44 million as loans and collateral support for loans as Mission Related Investing to social programs.

Similarly Catholic Health Initiatives, Catholic Health Healthcare West, and Trinity Health are all investors in the Calvert Foundation's community investment notes. The Calvert Social Investment Foundation focuses on using investment capital, rather than traditional philanthropy, to help nonprofit organizations more effectively and sustainably address community social needs.

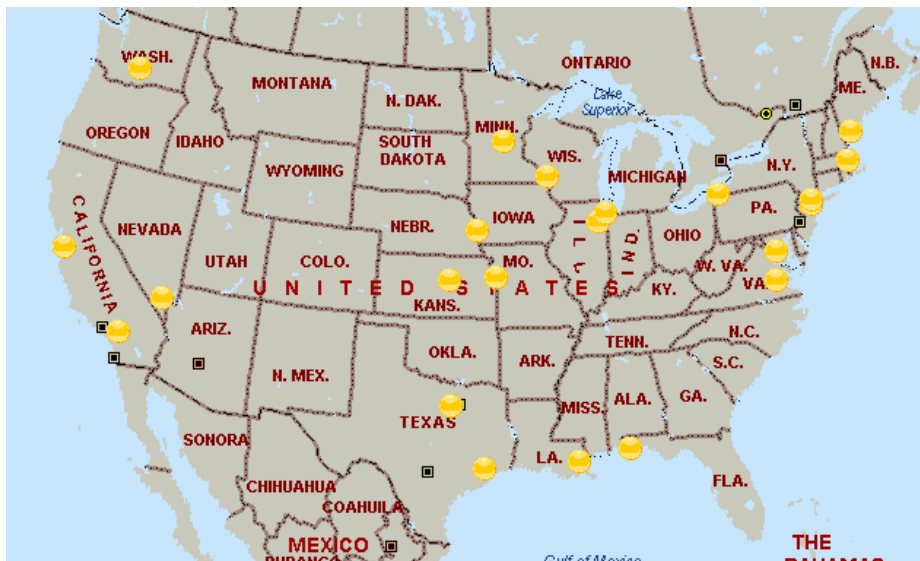
### ***Catholic Social Services***

Not to be outdone, Catholic social service organizations are also deeply engaged in social enterprise.



Nearly two dozen Catholic Charities organizations around the country have created enterprises that both produce market-driven products and services, and, in so doing, create job, training, and economic opportunities for those in need.

**Exhibit 8: Catholic Charities Social Enterprise Locations**



Source: Center for Applied Research in the Apostolate, Georgetown University, Washington, DC: Catholic Charities USA 2011 Annual Survey Final Report

Services include catering companies and cafes that also train for the food preparation industry, thrift stores that teach retail skills, in home and health services that prepare clients to go on for further health services training, translation services to local businesses, and prisoner re-entry businesses. In all cases, the businesses are mission-driven and the revenues help to fund the social service programs.

Innovation extends beyond social enterprise. Catholic Charities in Omaha has created a microbusiness loan program with funds loaned at low interest rates but returning a revenue stream to the programs. Some programs have even created their own market brand. Catering on Parade in Erie, Pennsylvania is a full service catering business that generates revenue for the St. Martin Center of the Catholic Charities of Erie. Its “locavore” program purchases from local growers and grocers to contribute to the community economy as well as trains the jobless for catering employment. The New Leaf Bakery in Spokane, WORN in Fort Worth, TurnStyles in Overland Park, Lunch-n-More in Chicago, and Day Break Cares in San Jose are all social enterprise brands of local Catholic Charities that are mission driven and revenue producing.

In addition to providing such social services as training, employment and care for the needy, such enterprises often bring in between \$500,000 and \$1 million per year in revenue.





Innovation is also present in Catholic social services programs outside the U.S.

In Canada, for example, kidsLink NDSA builds on 100 years of experience of the School Sisters of Notre Dame in educating at risk youth and has developed into a social enterprise consulting firm providing assessment tools and program guidance to agencies addressing a variety of needs of at risk children. The enterprise now earns more than \$1.5 million through its advisory services.

In Ireland, the Roman Catholic Diocese of Limerick joined with five other government and nonprofit agencies to form the Limerick Enterprise Development Partnership. The Partnership was created to develop an economic and employment alternative to the closing of the Krups factory. The consequent Enterprise Development Park not only provides office space to a variety of nonprofits, but also engages in training, education and mentoring for residents and operates a Community Time Bank providing coordination for professionals to volunteer their expertise to assist with problem solving and enterprise formation in the community. The Park is now totally self-supporting from its revenues.

### ***Catholic Education***

The costs of education are a major management problem for all types of educational institutions, both public and private. Revenue innovation in Catholic education is to be found on many levels, both in new models for revenue generation within a social business context to new approaches to traditional philanthropy.

An example of the former is the Cristo Rey system. Founded in 1996 on Chicago's southwest side, the Jesuit Cristo Rey schools provide a rigorous college-preparatory education to often needy students by partnering with socially-engaged businesses. The students finance up to 70% of their educational costs through Cristo Rey's work study program. Businesses fill real jobs with Cristo Rey students, and the payment is in the form of a contribution to the school. This is not a charitable donation; the businesses enjoy a real return, and the students gain both valuable experience and valuable professional networks that benefit them after graduation.

Cristo Rey is now a national program with 25 schools and over 1000 employers engaged in the educational process.

The Catholic Alumni Partnership (CAP) program provides an example of how collaboration can form the base for improved fundraising in educational systems. Unlike Catholic high schools, Catholic elementary schools generally have not engaged their alumni in fundraising. Created by Changing Our World, CAP is a privately funded effort that seeks to install strong, sustainable annual fundraising programs in each of





352 elementary schools in New York, Connecticut and Massachusetts for alumni relations and giving. Moreover and importantly, CAP uses cross-school collaboration ("CAP University") to continually build knowledge, best practices, and management skills. This brings Catholic elementary school fundraising up the Arc of Innovation from individual effort to collaboration among participating dioceses and school systems.

Some 350 Catholic schools now participate in the CAP program. They have raised more than \$8 million through 54,000 gifts. In the vast majority of cases these gifts represent new donors and new resources for the schools.

Pioneered in eight archdioceses and dioceses (Boston, Hartford, New York, Bridgeport, Brooklyn, Buffalo, Norwich and Rockville Center), the CAP model is now being initiated in several other dioceses across the country.

Innovation in Catholic education resource mobilization is also to be found overseas. St. Benet Biscop Catholic High School in Northumberland, England has created its own social enterprise business called Benet Enterprises Ltd. The company specializes in events management and services, involving both students and graduates for up to a year after graduation. In Canada, the Saskatoon Catholic School Division has joined with Core Neighbourhood Youth Corps to develop a social enterprise effort that prepares youth either for employment or for a return to school. Product areas include food production, aboriginal cultural products, carpentry and gardening.

U.S. Catholic higher education's engagement in the Arc of Innovation involves research and teaching. For example, Georgetown University's McDonough School of Business has established a Global Social Enterprise Initiative that includes an Executive-in-Residence program. This program brings in corporate executives responsible for social engagement programs and social enterprise executives to impart practical lessons and to help students build deeper relationships with social enterprise leaders. The Mendoza School of Business at the University of Notre Dame also deeply engages students, both undergraduate and graduate, in the study of the interstices of business and social problem solving. The relationship between social issues and business skills is deeply embedded in the curriculum. As an example, the research-based Foresight in Business and Society Program<sup>1</sup> examines complex societal problems such as poverty, health and energy, and encourages students to use business strategy optics to think about solutions that combine that perspective with social gain.

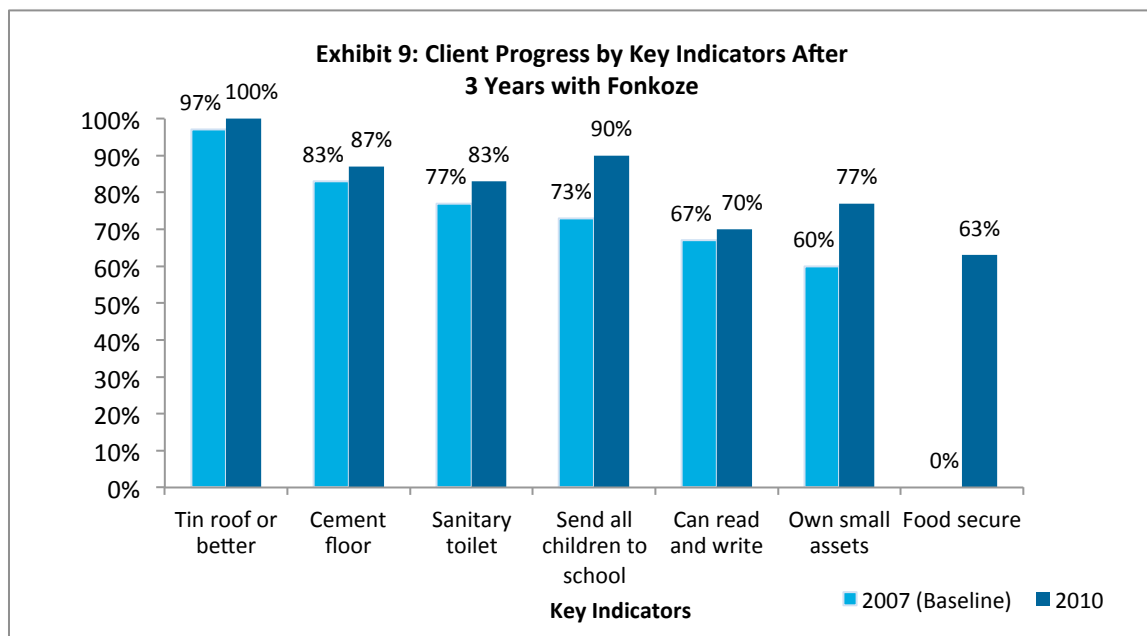
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<sup>1</sup> Note that Brian Crimmins, Chief Executive Officer of Changing Our World, Inc. and Susan Raymond, Ph.D., Executive Vice President for Research and Analytics are mentors in the Foresight Program. Dr. Raymond provided the Program's keynote address in December 2012.



### ***Catholic Global Relief and Development***

Catholic Relief Service (CRS) is the nation's largest Catholic nonprofit focused on global relief and development. For the last two decades, CRS has operated a microfinance fund which has served more than 1 million people in 35 countries. CRS has also created the CRS Fair Trade Chocolate Project. The Project partners with SERRV and Equal Exchange to market Divine Chocolate, the first farmer-owned Fair Trade chocolate brand. CRS has created a supporting tool, the Raise Money Right Fair Trade chocolate fundraiser, to encourage schools and other groups to sell Divine chocolate as part of a fundraising effort. For each fundraiser, SERRV and Equal Exchange make a donation to the CRS Fair Trade Fund which itself makes grants for the expansion of the Fair Trade movement.



*Source: Fonkoze Social Performance Report 2010*

As in other sectors, Catholic organizations engaged in development but domiciled outside the United States also provide notable examples of social finance innovation in support of mission. Catholic innovation in social finance and revenue diversification to ensure organizational stability and social problem solving is beginning to be recognized globally.

In 2010, the Schwab Foundation named Father Joseph as the 2010 Social Entrepreneur for Latin America. Fr. Joseph established the Bank of Fonkoze, Haiti's first micro-bank for the poor. The Bank serves more than 56,000 women borrowers and more than a



quarter of a million Haitian savers. Fr. Joseph also founded a variety of institutions in Fondwa, Haiti, including the University of Fondwa, the country's first rural college.

In 2012, the Innovation Fund of the Alliance for Global Good awarded two of its inaugural four go-to-market revenue diversification grants to two Catholic organizations in Africa.

- Children of God Relief Institute (COGRI) in Kenya, founded by the Jesuit Rev. Augusto D'Agostino, manages Nyumbani (Swahili for "home") which serves impoverished victims of HIV/AIDS and their families. Nyumbani itself operates a series of social enterprises which teach skills and produce products for sale in Kenya, the revenues from which support the Nyumbani village costs. COGRI raised funds through traditional philanthropy to build a new laboratory to serve the Nyumbani villages with the potential to sell services broadly and become a national reference laboratory for all of Kenya, and possibly, all of Africa. The business plan calls for the Laboratory receipts ultimately to cover 40% of Nyumbani's total costs. The Innovation Fund grant was to support the final marketing plan for that expansion.
- The Sisters of Notre Dame de Namur have served the impoverished populations of the Congo (now the Democratic Republic of Congo) since 1894 through ten mission centers that include schools and clinics. The Congregation installed a photovoltaic system to provide energy in its far-flung missions. The system also provided reliable internet access. The Congregation discovered that this energy and internet access was in high demand among working families in the surrounding villages. A prototype effort of an "Internet Café" proved that for very little money per unit of time, the demand for access was large and could be made affordable. The receipts could provide scholarships for students at the mission schools. The Innovation Fund provided capital for the expansion of this prototype Internet Café to other missions so that education for impoverished children could be self-financed.

Finally, and perhaps most comprehensively, Cordaid, a Dutch nonprofit merger of three Catholic relief organizations in the Netherlands, is transforming its entire global operation into an integrated social enterprise. It will complement government and philanthropic funding with a planned social finance value chain that will include shared private sector ownership of social enterprises, consortia of funders, and a financial services fund that will contain direct and indirect investment in developing country social-responsible projects capitalized by Cordaid's own capital and that of other



nonprofit development institutions and of high net worth individuals. Cordaid's goal is to develop a range of financing strategies that can ensure that the best types of support are aligned with the most appropriate problems so that solutions are long-term and sustainable.

## Summary

There are certainly many more illustrations to be cited. But the answer to the question, *'Where are Catholic institutions on the Arc of Innovation?'* is clear. They are everywhere.

Catholic innovation is to be found from the first step of collaboration all the way up the arc of change to impact investing. Innovations such as CAP or the Limerick Development Partnership seek scale through aggregation and collaboration. Venture and enterprise based initiatives are common in social services, in global development and in religious congregations. The resulting revenue diversification, linked directly to the pursuit of mission, helps to expand the services themselves and can also contribute to producing better outcomes through education, training and job creation. Catholic institutions are also to be found in perhaps surprisingly large numbers at the highest end of innovation, engaging in fund creation for social investing and partnering as investors in social problem solving.

The tradition of giving is deep in Catholic institutions and among the faithful. That tradition and that value will continue. But Catholic institutions are becoming leaders in the evolution of social finance as well. This leadership bodes well for generating additional resources to meet the needs of the world.

The problem, however, is also clear. There are many, many atoms circling around the innovation space. There are just few molecules. Most of what is being pursued is in isolation: a program here, an enterprise there, a fund somewhere else. There is little shared knowledge among organizations along the Arc of Evolution about what works, how best to pursue innovation, and how best to grow and scale initiatives either at one point on the Arc or in a sequential fashion along the Arc. The opportunity now is for Catholic institutions – nonprofits and philanthropies – to establish a concerted, coordinated effort to learn.



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<sup>1</sup> For more detail on social banking history see Olaf Weber and Sven Remer (eds.) Social Banks and the Future of Sustainable Finance. New York: Routledge, 2011.

<sup>2</sup> J. Tierney. The Catholic Puzzle Revisited: A preliminary Profile of the Catholic Church's Community Serving Institutions in Philadelphia. University of Pennsylvania Program on Research on Religion and Urban Civil Society, 2006.

<sup>3</sup> City of Philadelphia 2010 Operating Budget

<sup>4</sup> Sol Stern and Patrick J. McCloskey. Why Catholic Schools Matter. City Magazine, Spring 2011.

<sup>5</sup> The Economic benefits Produced by Archdiocese of Baltimore Catholic Schools & Their Graduates. Sage Policy Group, Inc., February 2010.

<sup>6</sup> Susan Raymond, Recession, Recovery & Renewal: Nonprofit Strategies for Rapid Economic Change. New York: John Wiley & Sons, forthcoming April 2013.

<sup>7</sup> N. Onishi. Monks in California Breathe Life Into a Monastery from Spain. The New York Times, January 11, 2013, A12.

<sup>8</sup> S. Reitz. U.S. Monks Put Faith in Wrinkle-Cream to Raise Funds. USA Today, April 1, 2009.



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