

A NEW APPROACH

Building a Philanthropic Investment Firm

Learn more about Pam and Pierre Omidyar's journey to impact investing, the lessons we've learned along the way, and the future of Omidyar Network.



OMIDYAR NETWORK
A WORLD OF POSITIVE RETURNS

The Beginning

When eBay went public, founder Pierre Omidyar and his wife Pam suddenly found themselves with an incredible amount of wealth — and an immediate sense of responsibility to put it to good use.

They were both deeply committed to making a positive contribution to the world. Within a few months of the IPO, they had done what most fledgling philanthropists do: created a traditional grantmaking foundation, the Omidyar Family Foundation.

It took an informal and responsive approach to giving — they would read about an issue or event, and follow up with a grant. After a few years, they both realized that they needed to think more strategically about philanthropy.

Finding Ways to Scale

As Pierre and Pam were evaluating the efficacy of their foundation, they were also watching eBay grow — and seeing the profound and significant social impact the company was having in creating livelihoods and building a trusted virtual community. And it was doing so quickly and on a massive scale.

Conversely, they saw in the nonprofit sector how difficult it is to scale impact without sustainable revenue models.

OMIDYAR FAMILY FOUNDATION



PHOTO BY MICHELLE CLEMENT

From OFF ... to ON

Pam and Pierre realized that in order to truly create change at the pace and scale the world needs, they needed to leverage the power of the markets.

Omidyar Network's Hybrid Model

LLC
(TAXABLE)

PIERRE M.
OMIDYAR TRUST

501(c)3
(TAX EXEMPT)

The LLC allows Omidyar Network to make for-profit investments in early stage innovations that seek to create significant social impact. Businesses have the power to provide value to their customers (as demonstrated by their willingness to pay), become self-sustainable, and reach massive scale. Omidyar Network salaries are also funded by the LLC, despite the tax implications, to allow more flexibility in hiring the best and brightest.

Grant-based philanthropy has had tremendous positive impact on the world, and Omidyar Network makes its grants from a traditional 501(c)3. We have found grants to be particularly useful in providing public goods, helping disadvantaged populations, and subsidizing the creation of goods and services that benefit society. Omidyar Network can also make mission related investments (MRIs) and program related investments (PRIs) from its 501(c)3.

Distinct Advantages



FLEXIBLE
INVESTMENTS



TALENT
RECRUITMENT



RESOURCE
ALLOCATION



POLICY
DISCUSSIONS



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Omidyar Network is designed for ultimate flexibility in effecting catalytic, disruptive change.

Investment professionals treat grant and investment dollars equally and decide which vehicle to use based on what would create the most impact: what we call our "flexible capital" model. We identify the problem we are trying to solve first, and then find the appropriate financial or operational tool to solve it.

Flexible Investments

Omidyar Network supports the best innovators we can find, regardless of whether the entities they operate are for-profit or nonprofit.

Our flexible checkbook allows us to invest in both for-profit enterprises and nonprofit organizations in order to create sector-based change. Appropriately, many impact investors are eager to invest in companies that can scale and promise strong social and financial returns. That is a significant part of our work as well, but we also have learned that there is a lot of untapped potential investing in innovative startups and providers of industry infrastructure that are essential to the sector's overall success.

Advantages of the Hybrid Model:



Our Financial Inclusion Approach

Our financial inclusion portfolio demonstrates how for-profit capital and nonprofit grants can work together to accelerate the development of a sector in new and profound ways.

We invested in innovative mobile payment companies like [Paga](#), [Zoono](#), and [Ruma](#). We also leveraged nonprofit grants to organizations like the [GSMA Mobile Money Programme](#), which provides essential support and knowledge to the entire mobile money industry.

Some other important Omidyar Network field-building investments in financial inclusion are:



Alliance for Financial Inclusion (AFI), a global body of financial regulators



CGAP, one of the premiere think tanks on microfinance and financial inclusion



The [Better Than Cash Alliance](#), which partners with governments, companies, and international organizations to accelerate the transition from cash to electronic payments to drive economic growth and empower people



Talent Recruitment

Our hybrid model allows us to attract, develop, and retain people from both the public and private sectors.

Our approach allows us to recruit top-notch talent, which can be a challenge in this industry because we are seeking employees who have dual backgrounds in both business and social impact. A more flexible compensation structure allows us to bring in the best and brightest.

Hiring the Right People

The hybrid model allows for greater flexibility in creating compensation schemes because all of the staff is paid out of the LLC. Additionally, the breadth of the work (making a variety of for-profit investments and engaging in policy discussions, on top of grantmaking) makes the philanthropy much more attractive to professionals with a much broader skillset: investors, business, and corporate development professionals, and political or policy experts.

Through our [Human Capital team](#), we are also able to provide professional development resources both internally (to our staff) and externally (to our investees) to help ensure professional fulfillment and success.



"Nothing in the world gets done absent human relationships."

- SAL GIAMBANCO, PARTNER (HUMAN CAPITAL) OF OMIKYAR NETWORK

Advantages of the Hybrid Model:



Resource Allocation

Omidyar Network has the flexibility to deploy capital on an as-needed basis, instead of locking it up all at once in a foundation structure.

Both philanthropy and the problems it seeks to address are constantly changing. The hybrid model allows us to start new initiatives without being constrained by one legal model. The majority of the wealth is held at the trust level and distributed to both the LLC and 501(c)3 on an annual basis.

Fostering New Organizations

Omidyar Network incubated two [Omidyar Group](#) organizations. Both began as internal initiatives and were spun out into their own organizations once they reached a critical level of development.



The [Democracy Fund](#) invests in organizations working to ensure that our political system is able to withstand new challenges and deliver on its promise to the American people.



[Humanity United](#) is a foundation dedicated to bringing new approaches to global problems that have long been considered intractable, like human trafficking, mass atrocities, and violent conflict.

We invest in changemakers whose ideas and energy can make a difference. We advocate for solutions that can bring lasting improvement to our political system. We build bridges that help people come together to serve the nation, moving us closer to the ideal of a government of, by, and for the people.

We believe in the power of people to bring about extraordinary change. When humanity is united, we can act together to create a powerful force for human dignity. Whatever problems humans create, humans can solve; we build, lead, and support efforts to change the systems that suppress human rights and contribute to human suffering.

Advantages of the Hybrid Model:



Policy Discussions

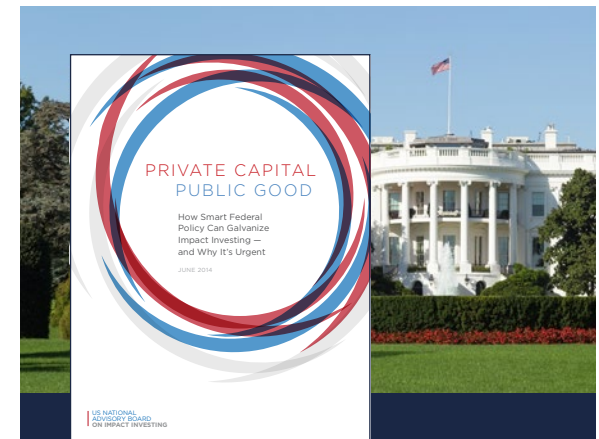
Markets cannot solve every problem. Some public goods and infrastructure needs can only be solved through government engagement or capital.

Omidyar Network engages directly in policy discussions — from issuing general recommendations to advising on specific legislative proposals — without the advocacy and legislative limitations placed on foundations.

New Findings on the Importance of Impact Investing

We led the National Advisory Board on Impact Investing, and continue to support the organization in its new iteration, the U.S. Alliance on Impact Investing. The Alliance's 2014 report *Private Capital, Public Good* identified essential and urgent steps that only government can take and released the findings at a White House event.

This advocacy resulted in significant policy wins that make it easier for pension funds and foundations to engage in impact investing.



"[Impact investing is] about how the power of markets can help to scale solutions to some of our most urgent problems.

"It brings together entrepreneurs, investors, foundations, public-sector leaders, nonprofits, and intermediaries to use private capital for public good. Simply put, impact investing generates measurable, beneficial social or environmental impacts alongside financial returns. It's a simple idea with profound implications."

Advantages of the Hybrid Model:



The Movement Grows

Quite simply, impact investing is taking off. We've seen increased coverage in the mainstream press identifying impact investing as the top most promising trend in philanthropy.

More money is flowing into impact investing than ever before, via private wealth holders, charitable foundations, and financial institutions — ranging from [TPG](#) to [Goldman Sachs](#) and [Blackrock](#) to the [Bill & Melinda Gates Foundation](#) to the [Chan Zuckerberg Initiative](#) (founded by Facebook founder Mark Zuckerberg and his wife Priscilla Chan) and [Emerson Collective](#) (founded by Laurene Powell Jobs, the widow of Steve Jobs).

Governments have also responded. In 2015 alone, the United States government has made it easier for both [pension funds](#) and [foundations](#) to engage in impact investing. Globally, impact investing was a key topic at the G7, leading to the formation of the [Global Social Impact Investment Steering Group \(GSG\)](#).

It's even been a topic of discussion at the [Vatican](#), putting us in pretty good company.

Forbes

THE TOP 5 MOST PROMISING TRENDS IN PHILANTHROPY

"#1. [Impact investing] is exciting to many people who care about philanthropy and social change. It offers the potential of unleashing a huge base of capital to fund sustainable market solutions."

The New York Times

HOW TO LEAVE A MARK (OP-ED BY DAVID BROOKS)

"Impact investing is probably the most promising of these tools. Impact investors seek out companies that are intentionally designed both to make a profit and provide a measurable and accountable social good."

The Economist

IMPACT INVESTMENT: THE LONG HAUL

This article focuses on the 2014 G7 report and the "rising investor interest in solving social problems while making money."



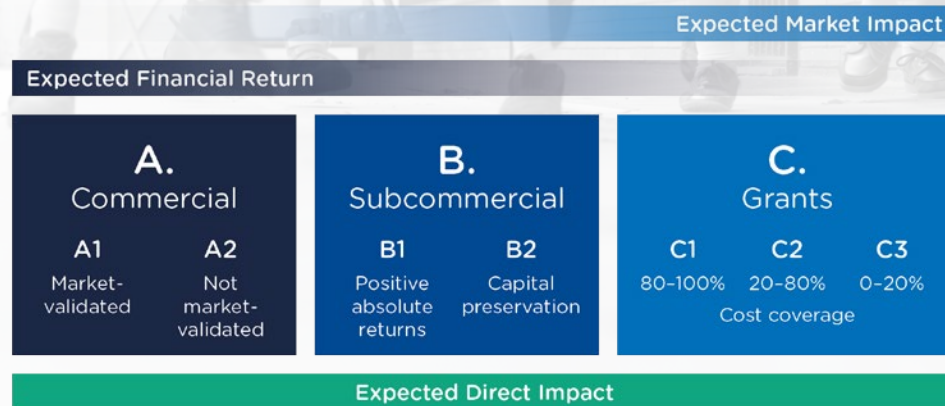
"Impact investors are those who are conscious of the existence of serious unjust situations, instances of profound social inequality and unacceptable conditions of poverty affecting communities and entire peoples." - POPE FRANCIS


Refining the Model

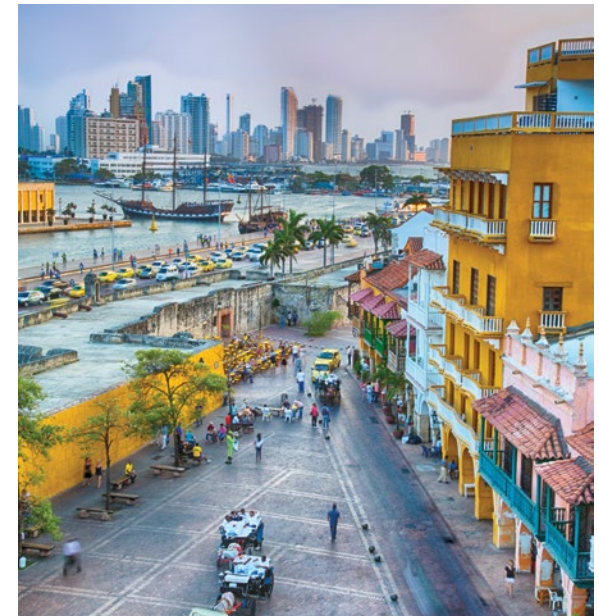
We seek to engage in conversation and debate that is rooted in real-world experience, so we can better align investment decisions with their expectations for both impact and returns.

Even after 12 years of impact investing and more than \$1 billion invested, we are continually learning and refining our model. In particular, our thinking about how to evaluate the relationship between social impact and financial returns has evolved: We have gone from seeking only risk-adjusted returns in our commercial portfolio – combined with grants from our 501(c)3 – to investing along a continuum.

Omidyar Network's Returns Continuum Framework



 **LEARN MORE: OUR STRATEGY ON INVESTING ALONG A CONTINUUM**
www.omidyar.com/spotlight/how-do-we-invest-across-returns-continuum



"In our experience, impact investing opportunities fall along a spectrum of financial and social returns."

- **MATT BANNICK**, MANAGING PARTNER OF OMI DYAR NETWORK