Philanthropy and Power Supplement
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How to Use Integrated Capital to Shift Power to the Front Lines
By Nwamaka Agbo

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LETS GET TO WORK

Now is the time to feel excited about what a windfall of resources might mean for the successful democracy-saving work of movement practitioners who have a track record of integrity and real relationships with a directly impacted base. These efforts are led by folks with lived experiences shared by marginalized and targeted communities. Now is the time to have conversations inside philanthropy about your best and highest use: to spend money or trickle it out, and for the sake of what? Strategy? Or perpetuity for its own sake? Now is the time to build the inside/outside organizing strategy we have dreamed of, to identify our roles and responsibilities, and move money for the sake of resourcing life-saving work as though we want our people to win.

We trust that we have made our point. We need a multisector strategy for spending down. This strategy will require collective clarity on where we believe progressive and radical philanthropy ought to be going, but will also require collective clarity on—as well as coordination and collaboration in—how we will get there. The fundamental value of our strategy will not be in the goals it sets, or the criteria it articulates, but in the efficacy of the organizing efforts that will be required to achieve these goals or satisfy these criteria. More so than perhaps any other goal of philanthropy, the voluntary decommissioning of multiple iterations of philanthropic institutions will require that we take the project of funder organizing more seriously than we ever have. If we are to move past sound bites, this is the conversation we need to have.

Finally, we would like to be clear about our vision for where such a strategy would lead. As abolitionists, the voluntary decommissioning of individual philanthropic institutions is not our ultimate goal. Instead, it is to build a world where resources and power are never extracted and consolidated in the first place. We understand that a strategy for spending down is only one of many steps toward building that world, and that a much bigger step will require changing the rules for all philanthropic institutions. We look forward to being on this journey together, and we hope that you will join us. Another world is possible!

HOW TO USE INTEGRATED CAPITAL TO SHIFT POWER TO THE FRONT LINES

The Kataly Foundation invests in communities in ways that ensure that more value stays in the community.

BY NWAMAKA AGBO

In philanthropy, there is no shortage of debate when it comes to how funders can be most effective and enjoy the greatest impact. While the details of these discussions vary, one thing remains the same: As funders, we center ourselves in these conversations.

One area of contention is whether a foundation should spend out its assets in the short term or exist in perpetuity. But this is a false choice and the wrong question. Individuals and groups with access to wealth should ask how assets can be used to support social movements to build power, systems, and structures to move beyond an extractive economy and a failing democracy.

As funders, we have many transformative tools at our disposal, and one of them is our investment in our grantee partners. In philanthropy, some investment focuses on social impact, and yet the priority remains, “What are the returns to the foundation?” For investment to become a transformative tool, we must reject that premise and prioritize returns to communities. This is why we use nonextractive investments at the Kataly Foundation. These investments are structured with loan terms to ensure that more value—financial and nonfinancial—stays in the community to support local economies that are community-centered and regenerative.

Kataly was founded in 2018 with the goal of spending out all our assets in 10 to 15 years. Spending out can be seen as a radical act in philanthropy, which is disappointing given that philanthropy’s purpose is to give resources to charitable causes. But without an intentional strategy to support communities of color in their efforts to build power and agency, spending out can replicate the unjust, inequitable practices that characterize foundations operating in perpetuity.

For Kataly, spending out means shifting power by moving resources into communities with the intention that those resources generate returns that recirculate within the community. Instead of accruing wealth and concentrating power within a single institution, communities build their own systems for wealth, well-being, and sustainability, and create shared prosperity for everyone.

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Shifting power can be achieved in a variety of ways. Kataly’s Mindfulness and Healing Justice program builds power by redistributing resources to mindfulness and healing justice organizations, networks, and practitioners. It is born from the belief that healing and contemplative practices, such as meditation, are indispensable to movement building and liberation. The Environmental Justice Resourcing Collective (EJRC) engages in wealth redistribution based on the understanding that environmental and climate justice intersects with many social issues, and that communities of color bear the greatest burden of injustice. This collective is an experiment in radical wealth redistribution. Nine women of color, who are the movement leaders that comprise the EJRC, have full control over distributing $75 million in assets.

For the Restorative Economies Fund (REF), achieving regenerative wealth redistribution means expanding our thinking about how to deploy $300 million in capital beyond just grantmaking. REF uses an integrated capital strategy for resource redistribution, which means the coordinated use of financial products (grants, lines of credit, equity investments, guarantees and more) to meet the capital needs of a mission-focused project. While integrated capital mostly refers to financial capital, it can include nonfinancial forms of capital or resources to support a project.

REF combines grants with nonextractive investments, technical assistance, and strategic advice. A major component of the integrated capital strategy is that returns from our investments do not make their way back to Kataly; instead, they live and regenerate within communities in which we invest.

For example, one of REF’s grantee partners is The Guild, an organization in Atlanta, Georgia, that builds community wealth and power through cooperative real estate, entrepreneurship programs, and access to capital for marginalized communities. The Guild employs a community stewardship trust model to acquire and redevelop mixed-use properties that are held in a trust to stabilize the value of the land. This structure allows eligible local residents to buy in as equity shareholders of the trust, which builds shared prosperity throughout the neighborhood. This community-owned real estate model produces long-term affordable housing and enables residents to practice collective decision-making.

Through the model of integrated capital, Kataly’s support of The Guild included a $50,000 rapid response grant, a $550,000 per year general operating support grant for three years, as well as a $5 million loan at 0 percent interest with a term of 10 years. In addition to financial support, we provided strategic advice for fundraising, supported funder briefings, and offered technical financial advice on their projections. In the case of The Guild, providing these different forms of support was critical to their success because they needed a loan to purchase the building, begin construction, and cover general operating costs in order to resource the programs they provide for the community.

REF supports community wealth-building projects, such as The Guild, that are both community owned and governed to foster community self-determination and political, economic, and cultural sovereignty. REF’s operating framework is an opportunity for us, as funders, to leverage our resources, power, and position to challenge traditional financial systems and investment mechanisms that oppress, exploit, and extract from Black and brown communities, or block them from wealth-building opportunities. Our investment model allows us to challenge traditional financial systems that have excluded these communities while building strategies and infrastructure that serve as a foundation for a just, prosperous, and equitable economy in the future.

Integrated capital is a powerful tool that allows us to achieve many goals as a foundation committed to systems change. The history of the racial wealth gap has been well documented by scholars and others who have shown how structural racism denies communities of color access to capital, which has exacerbated economic inequality in the United States and abroad. By offering nonextractive integrated capital investments in Black and brown communities, REF:

- Provides access to critical capital under affordable terms, ensuring that impacted communities enjoy access to resources for their projects under supportive and favorable terms that mainstream financial institutions do not offer.
- Provides projects with the upfront capital they need over an extended period of time to focus on the project’s community-centered mission. REF’s current portfolio of long-term patient capital investment terms (up to $53 million in loans, with a range of 0-2 percent interest at a patient capital term of up to 10 years) create the conditions that allow organizations to focus on their mission, as opposed to making a profit that will go back into the pockets of investors.
- Shifts the investment risk assessment from centering the investor and their central preoccupation—“How much risk am I willing to take with my money?”—to a focus on the community: “What is at risk for this community if I don’t support them?” The first question prioritizes profit over people and the planet, while the second question centers the health and well-being of disinvested communities.

Another core feature of REF’s approach to nonextractive investment is that we assume a subordinate role in the overall investment capital stack for the projects in which we invest. This means that among a project’s many investors, REF shoulders a greater burden of risk if the outcome is not financially successful. In taking on more financial risk, we might attract more investors to support the project, especially more risk-averse investors. We serve as leverage to our borrowers so they have access to other funders and traditional capital markets that they otherwise would not. This also creates an opportunity for other investors to learn alongside us.

Nonextractive investments mean that financial returns to the investor are right sized to reflect the disproportionate burdens that Black and brown communities bear. Repayment of the loan does not come at the expense of, or create harm to, the borrower or the mission. This type of investing is rooted in the recognition that wealth inequality was created through extracting natural resources and exploiting the labor of Black and brown communities. Nonextractive investing represents an attempt to redistribute wealth and resources to communities most harmed by the racial wealth gap and structural racism.

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power that is centered on the health and well-being of the community, and not on a handful of wealthy individuals. For example, Kensington Corridor Trust (KCT), an organization based in Philadelphia, Pennsylvania, uses a neighborhood trust model to direct investments in commercial and residential buildings that preserve culture and affordability while building neighborhood power and wealth. To stabilize the neighborhood’s gentrifying economic corridor, KCT supports local control of property and property values by ensuring that business and residential tenants have a long-term history and relationship with the Kensington neighborhood.

REF’s nonextractive investment in KCT began as a $3 million nonrevolving line of credit (debt paid back in one installment). The first three years of the 10-year loan have a 0 percent interest rate, and a 1 percent interest rate beginning at year four. In addition to this loan, Kataly supported Potlikker with a $50,000 rapid response grant and a $250,000 per year general operating support grant for six years. Additionally, we provided Potlikker with two $1 million loans, based on terms they set rather than terms set by REF.

Supporting these essential community wealth-building projects means tending to and caring for our relationships with all our grantee partners and remaining mindful of the power dynamics. Whether a foundation spends out or exists in perpetuity, the tendency in philanthropy is to redistribute resources in a way that keeps power in the hands of foundations. Funders traditionally make decisions about who and what to fund and create definitions of impact into which grantees are forced to fit their work.

At its best, philanthropy can act as a vehicle to move capital with speed and at scale to people and groups making the world more just. In order to serve as an accelerator instead of a barrier, funders must acknowledge the root causes of inequity and injustice, not only in who but also in how we fund. The resources that funders redistribute are part of a long history that has kept large sums of money in the hands of a few and prevented people of color from creating intergenerational wealth.

Spending out and engaging an integrated capital strategy is one approach that we believe can meaningfully shift power to Black and brown communities. Of course, it is not the only approach, and many other groups are engaging in their own power-shifting funding experiments. Initiatives such as the Democracy Frontlines Fund, Arch Community Fund, the Olamina Fund at Candide Group, and Solidaire Network use tools such as collective giving, participatory grantmaking, impact-oriented loans, donor organizing, and more to radically redistribute wealth.

Regardless of what tools and methods we use to make grants and investments, we must ask ourselves some critical questions about the impact of our approach: Who holds power? Are communities being supported to govern themselves? Are the people who will be most affected making decisions about their future? Many of us wish to participate in creating transformative change in the world. To make that vision a reality, we must reckon with and transform our own relationships to power and control.

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