

## Social Investing Through Unorthodox Partnerships

Claire Macht ([www.globalimpactforum.com](http://www.globalimpactforum.com))

Partnerships come in many forms and nowhere is this so well illustrated as within the social investment sector.

While the broad definition of ‘social investment’ can claim some of the responsibility for this phenomenon, the sheer variety of deals also reflects the need to consider unusual bedfellows in order to get the job done. In managing the *Global Impact Forum*, we have had the opportunity to see for ourselves the surprising and sometime unorthodox partnerships that can result. A number of partnerships have come to fruition and the flexibility of entrepreneurs has proven important in their ability to find partners and drive to scale. Donors and investors are also taking steps in adapting how they work to accommodate more creative partnerships for impact. The head of one large bi-lateral donor agency recently quoted Deng Xiaoping - “It doesn’t matter whether a cat is white or black, as long as it catches mice.” In other words, form and function should take a back seat to a shared vision of impact.

Making a social investment follows the same process as any investment: filter potential companies, conduct due diligence, build on the relationship, negotiate terms. The legwork required to identify potential investments that also have a social or environmental return is extensive, and often seemingly more so than for traditional investments. But the complexity of a social investment process is not very different from that of other industries. Venture capitalists in biotech need to examine hundreds of companies in a single sector before investing in a few. The common understanding of development stages, milestones and exit points in the life sciences industry has enabled it to grow and accommodate different types of investors. But these investments are always a long-term and iterative process. And this long-term horizon very much parallels the world of social investments. At the *Global Impact Forum* we’ve had the pleasure of helping many companies find each other and set out on the long road of partnerships. Some of these have already generated

tangible outcomes. The examples below illustrate the impact being achieved through very different forms of partnerships.

A private investor supports private enterprise. *SELFINA* is a micro-leasing firm in Tanzania that provides women entrepreneurs access to equipment to run small businesses. While Tanzania’s legal environment technically provides equal rights to all irrespective of gender, social customs and traditions make it difficult for women to own land and other assets. As a result, financial institutions do not consider women as being creditworthy, which restricts their



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access to financial services and marginalises them in the productive economy. *SELFINA* secured an investment from a private investor to extend its reach to almost 50,000 women. *SELFINA* needed to find an investor that could react quickly and invest into their cash-intensive business. A private investor was able to do so, providing an initial investment within a few months of their initial meeting. Angel investors and private individuals play a crucial role in the success of many social businesses, providing capital at critical points of development. The flexibility of private investors to provide “catalytic capital” is indispensable to the growth of innovative businesses often operating in frontier markets.

Driving to scale using more advanced financing. *Prodigy Finance* provides loans for international students to attend top business schools, funded by a community of alumni. To date, *Prodigy* has distributed US\$50M in loans to students from 90 nationalities. Without *Prodigy*, hundreds of students could not have attended the schools that had admitted them. *Prodigy* proved that credentials, community and career prospects are viable forms of collateral. The model works and could be scaled to other schools, with the right partner. Last year, *Prodigy* announced the development of a world-first ‘Education Note’ developed in conjunction with *Credit Suisse*. The CHF25M instrument aggregates the underlying school-based lending portfolios into a structure that can accommodate a wider pool of investors. This partnership brings the reach and expertise of a large financial institution to a successful social purpose model and will help to take it to the next level in scale.

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Non-financial assistance in multi-stakeholder partnerships. One thing that differs from the life science industry, is the value of non-financial assistance in social investments. Last year, *WWF* announced a new model for conservation in the Mondulkiri district of Cambodia, supporting the establishment of forest product enterprises run by local community members. This was not an arm’s length funding arrangement. The two entities work together, presenting the initiative in tandem, helping each other identify and meet with investors and partners who can provide the financing, expertise and market access that will allow the venture to grow beyond the seed stage. Conservation finance is becoming conservation business, requiring all the same skills and resources necessary for success.

*Claire is Conference Director of the Global Impact Forum, an annual event produced by EBD Group that facilitates partnerships in support of social impact initiatives. Claire joined EBD Group in 2007 as a project manager for EBD Group’s life science partnering services. She expanded that role to include management of partnering for EBD’s own events, program development, sponsorship management and full conference management. She directed EBD’s medical technology event EuroMedtech before moving into the impact investment sector. She now leads program development and conference management for the Global Impact Forum. Claire holds an Honors BA from Mount Allison University and an MA from Bristol University.*

*WWF* brings much more to the table than access to finance. It will leverage its global network and knowledge over the long-run to contribute to the success of the Mondulkiri venture.

Going mainstream. The recognition that successful social businesses need far more than just finance is something spreading beyond individual investors. Social investing is providing an opportunity for mainstream businesses to offer services and expertise to a new market as part of their core business. For example, *Ernst and Young* has launched a division that provides *EY*’s usual business services to social companies in emerging markets. Tailored specifically to the budgets of businesses in these geographies, the professional expertise that *EY* can contribute to a social impact company will help the company transition to the next stage of expansion, one that may require more interaction with more mainstream investors.

The *Global Impact Forum* is an independent and neutral platform to facilitate partnerships and investments across the spectrum of social impact. The forum features a curated group of innovative impact initiatives from around the world. To date, the forum has helped facilitate over US\$30M in investment.