Alternative routes to financing bigger impact and better outcomes for vulnerable children: a case history

Katie Fowler *www.chanceforchildhood.org*

Katie Fowler

In 2018, Chance for Childhood, an international children's charity, embarked on a journey to test alternative routes to financing bigger impact and better outcomes for some of the most vulnerable children in Africa, such as street children, children with disabilities and kids behind bars. We work with visionary community leaders and governments to implement locally relevant justice, education and social protection projects that focus on 'hard to reach' children, both in terms of their complex needs e.g. street children with learning difficulties, and location e.g. urban violent slums.

In the last four years, by working with community-based organisations, local NGOs and civil society, we successfully piloted Uganda's first community-led diversion programme for young offenders. This award-winning project, called Right2Change, forms the cornerstone of our zero-tolerance policy towards children and young people being held in adult prisons, or for indefinite periods awaiting sentencing. The results of this pilot across three remote post-conflict districts have been ground breaking. To date 3,200 children have been diverted from detention, 83% of whom are now receiving legal counsel (from 3% prior to our intervention) and the re-offending rate among our Right2Change model is staggeringly low at less than 1%. This is an enormous triumph when compared to the 42% re-offending rate amongst children and young people in the UK in 2017.

Exploring alternative financing routes

Despite seeing huge success at local levels, we face a roadblock to scaling our activities partly due to this area being under-funded in the development sector and particularly due to a lack of political will in the countries we work. This roadblock has been a huge driver of our decision to explore new routes to financing, scaling and sustaining our work.

Social finance is a rapidly growing industry – the number of social investors is fast multiplying while bi-lateral aid stagnates – OECD estimates there is US$228bn of social impact investment under-management. Many international NGOs are now exploring the possibility of moving down the social investment curve, away from traditional philanthropy and towards impact investment. Large international NGOs are working with investment banks to develop social impact bonds for extremely large-scale programmes which is another form of results-based financing. In other cases, traditional philanthropists are finding ways to recycle their donations by offering repayable finance to social enterprises which can design viable business models or to smaller NGOs that require a boost to cashflow for a capital outlay, such as a construction project e.g. CAF Venturesome.

We knew that we were in no position to develop a social impact bond as our need for alternative finance was not significant enough to justify such a model, but we did feel that repayable finance was an option. Spearheaded by our co-CEOs and our Innovation Lead, we set about researching the social investment space, building our knowledge and developing an understanding of what is being tried and tested in the UK – and what models could be applied to international development, specifically the justice sector. Before long, our networking and knowledge gathering were exhausted, and it was time to put our money where our mouth is.

We looked to access investment to scale our Justice for Children work by developing a business model for the Right2Change community-based rehabilitation and diversion programme. After a few months of intense work-scenario planning with different business models and testing the market with some initial research, we were ready to present our business model to an investor in the form of a social franchise. A social franchise model would allow Chance for Childhood to roll out our proven model of support, while maintaining control over some operational elements that we believed to be essential and most importantly to control quality by limiting the extent to which the model could be diluted down. Of course, we would continue to allow innovation within the model and have a built-in system to ensure successful innovations are rolled out across the franchise.

A social franchise model would allow Chance for Childhood to roll out our proven model of support, while maintaining control over some operational elements that we believed to be essential …

As a small organisation, this process has been revolutionary for us. We now understand that there is a place for social investment and traditional philanthropy to exist side by side to prevent undue gaps in funding and create a more holistic approach to solve problems faced by marginalised children across the world. OECD's 2019 report *The Impact Imperative for Sustainable Development* highlights 'social impact investment not only mobilises private financing to contribute to the sustainability development goals but most importantly, it catalyses innovative new approaches to social economic and environmental challenges'. This assertion certainly summarises the case for Chance for Childhood, in that we would not have explored the merits of a social franchise model without the pursuit of a sustainable business model, driven by our need to attract investment.

There are various financing options to share the risks between the investor and investee and we concluded that a blended finance solution with a Revenue Participation Agreement would be the most effective way to ensure that our start-up costs were covered through grant funding and that our repayable finance would be hedged against our future net revenue. Blended finance has been a really important steppingstone for Chance for Childhood, in managing our risk and also in understanding how complementary philanthropy and impact investment can be.

As both a wealth adviser for over 20 years, and a trustee of Chance for Childhood, Tony Wellby explains: "It has been critical for us to appreciate that impact investment will not replace the reliance that we, and many other important actors working in international development, have on the generosity of pure philanthropists, but rather that there is now a new space where investors can make a huge difference. I would urge my fellow wealth advisers to discuss these options with your clients as social investment will become more and more prominent. I would also encourage philanthropists to think seriously about extending the impact of their support by exploring how their current giving can be complemented by future impact investments."

Conclusion

We anticipate receipt of our first social investment in the Autumn of 2019 and are really excited about what we can achieve in the future!

Katie Fowler *has 14 years of international development experience in both the private and not-for-profit sectors. Since joining Chance for Childhood in 2012, Katie has led the charity's transition to an effective, multi-year grantee of institutional donors and has more recently championed the establishment of Chance for Childhood's first regional office in Rwanda.*