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Taking a Realistic Approach to Impact Investing

Observations from the World Economic Forum's Global Agenda Council on Social Innovation

What happens when you bring together 20 of the most experienced social investors, social entrepreneurs, foundations, and top academics to assess the current state of social innovation? The Global Agenda Council on Social Innovation conducted this very experiment, which was facilitated by the Schwab Foundation for Social Entrepreneurship and one of more than 70 Global Agenda Councils convened by its sister organization, the World Economic Forum.[1]

The council convened multiple times over the past year via conference calls and in person, first at the Summit on the Global Agenda in the United Arab Emirates in November 2010, and again in New York in March 2011. The group realized early on that its unique position lay in bringing together social entrepreneurs and impact investors in a safe environment and behind closed doors, where they could talk openly about common challenges and issues of mutual concern. "Investors and social entrepreneurs are working together to break free of old categories, develop new models, and learn what works," said chair Greg Dees. "Both sides are learning lessons about the balance between performance discipline and

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patience, the painful realities of early stage social ventures, and the critical governance issues that come along with accepting investment."

As a starting point for our journey, we asked ourselves two simple questions: Where can we add the most value to the field of social innovation? Where do we currently see the largest opportunities and the potential pitfalls? Thus we decided to add a few items to the discussion on impact investing. We believe the rapid growth of investment funds marks a significant milestone for the sector and will be an important source of growth capital for social ventures. However, we feel there are a number of issues that deserve more attention and debate, such as the ways in which various types of capital can and should work together, the return expectations of newer entrants, and inventive approaches to tackle the fledgling industry's growing pains. The results may provide refreshingly honest reading.

THE IMPACT INVESTING PROMISE

The growing interest in impact investing is hard to miss. It's been called a craze and a wave, with Wall Street firms reportedly "scrambling to put out funds and programs in which people can invest."[2] The *New York Times* has reported analysts' predictions that the market will grow tenfold by 2014, to $500 billion,[3] and in a November 2010 report, J. P. Morgan projected it would have profits of up to $670 billion over the next decade, which subsequently set the industry abuzz.[4]

Impact investing is also rising to the top of the agenda among the social entrepreneur community. As more and more social entrepreneurs look for business models that promise to be scalable, they are also exploring different sources of investment capital, beyond grants. In September 2010, at a private gathering of Schwab Foundation social entrepreneurs in advance of the World Economic Forum's "summer Davos" in China, impact investment emerged as a key topic the community wanted to address. Those efforts led to the publication of a "how-to guide" for social entrepreneurs who are thinking about taking on impact investors—just one indicator among many of social entrepreneurs' growing thirst for information.[5]

But it would be a mistake to ignore the cracks that are beginning to appear. Within the Schwab Foundation's network of social entrepreneurs, we hear concerns about excessively low valuations, of potential investors that spend a disproportionate amount of time on financial statements versus social impact assessments, of due diligence that dragged on for months and ate up staff time, only to end with a form rejection letter. If we do not shift the dialogue to a more productive conversation about these areas of concern, there's a high likelihood that the future potential of social investing may be undermined.

TEASING APART THE HOPE FROM THE HYPE

The hope is clear. The hope is that 20 or 30 years from now we will look back on this chaotic, dynamic period as marking the emergence of the impact investment market in the way we now view the birth of the venture capital industry half a century ago. We will have laid the foundations for an industry that successfully stamps out social inequities, provides a complementary alternative to international aid, and, in the process, creates an ecosystem of specialized skills and support professions. We may very well see mobilized capital in the range of $500 billion to $1 trillion, and laud the fact that we figured out how to harness market forces and attract commercial capital to solve social problems.

We're not there yet, but we believe we can be. To a person, the council strongly believes the impact investment market has enormous long-term potential. "Impact investing provides a very promising alternative complement to top-down approaches of government, aid, and relying solely on the private sector. We are on the cusp of seeing real change and real scale," said Jacqueline Novogratz.

But to anyone who understands the market dynamics of the social enterprise sector well, the hype is also obvious. The market is not ready to absorb commercial capital on anything close to the order of magnitude being talked about, and profits in the hundreds of billions are quite possibly two or more decades away. While the reports state that they are talking about future potential, this gets lost in the narrative and people tend to focus only on the magnitude of the market potential, not the timeframe.

"Although much is said about social ventures and investment, in reality, at this stage both remain minor in scale, and there are fairly limited investable ventures," said Asad Mahmood. "The majority of the social development industry outside of microfinance is dependent on very soft and grant-like funding. Even the microfinance industry at this stage of development has a considerable element of subsidy."

So, while some members of the group applaud the recent proliferation of reports and articles with large dollar signs attached as "important for raising awareness" among potential investors about "new and important ways money is being leveraged for change," others feel such "overly optimistic" figures inflate expectations beyond what the sector can realistically deliver in the near to medium term.

On one point, though, a clear consensus emerged: the time is ripe to reframe the current debate and put some important questions front and center. If we take the longer view and believe the market potential is tremendous, then what do we need to build the unprecedented engine of social change this sector could eventually become? How should investors, foundations, and social entrepreneurs think about the vital role social capital can play to encourage innovation and scale it for maximum impact?

FROM HERE TO THERE

We could not possibly claim to have all the answers to these questions, but it has been a thought-provoking year of honest debate. We would like to share the five main observations that emerged from the council's discussions. We hope these will shine some light on the path of "how we get from here to there" in realizing the industry's potential.

Subsidies and Soft Capital Are the Base of the Layer Cake

"We need to educate social financiers about what social entrepreneurs need," said Mahmood. "They need more risk capital, more patient capital. More flexible financing is necessary." Why is this so? Because developing and marketing services and products for any population have serious research and development costs, which are partially offset in industrialized countries by government subsidies. Just think of GPS, the Internet, and cell phones, to name a few.

The same is often true of goods and services that are deemed to have long-term socioeconomic benefits—take the example of energy-saving technologies for household use. Not only do the European Union and U.S. governments subsidize the development of such technologies (in the form of tax breaks, public universities, and government research grants), but public funds are also used for marketing campaigns that generate awareness and thus accelerate their adoption.

Now let's consider a developing country context. Martin Fisher and Nick Moon, cofounders of the award-winning social enterprise KickStart, call it the "base of the pyramid" market penetration problem.[6] "When you are selling a brand new product or service to the rural poor, you are selling a never before seen big-ticket item to the world's hardest-to-reach and most risk-averse customers," said Fisher. "It is very expensive to reach these customers and very hard to convince them to spend their limited resources. In fact, it's the hardest marketing and sales job in the world."

In this case, rather than compensating for these barriers through subsidization schemes and incentives, the opposite occurred. With their hands tied by a limited tax base and a mandate to focus public spending on safety-net services, governments in developing countries are far likelier to tax technologies and products, thus stifling their spread and discouraging innovation. In other words, as Andrea Coleman, a cofounder of Riders for Health, neatly summed up, "Social enterprises commonly work in areas of market failure, especially in developing countries. That's why they are necessary."[7]

This doesn't mean they will forever be in the red, but it does mean that "we need to come to some consensus that entrepreneurship and social entrepreneurship have some fundamental differences," according to Mahmood. It does mean there are many years of hard slogging before most social enterprises break even or begin to see a profit; many will never be financially self-sustaining. And it does mean that someone needs to step in and assume the analogous role of a government subsidy.

This category of actors will play a fundamental catalytic role. In its 2009 report, "Market-Based Solutions to the Challenges of Global Poverty," the Monitor Group concluded that donors, philanthropists, and providers of soft capital "will have a fundamental catalytic role to play. This is the only source that can reliably and consistently serve long-term patient-capital needs, tolerate lower-than-market returns, and cushion subscale enterprises as they develop their business models and generate social returns in anticipation of corresponding financial returns."[8]

KickStart had to absorb the R&D costs of the KickStart pumps and products through grants; otherwise the sticker price would effectively price out the target market. For all other costs, KickStart estimates that by the time they reach 20 percent market penetration in a new location, they reach their tipping point, where the supply and sales chain becomes fully sustainable and no longer needs a subsidy. But it can often take them 10 or 15 years to get there. And in the meantime? They rely on grants, soft capital, and individual donors. "When directed properly, grants address market failure at the base of the pyramid," said Nick Moon. "They share the burden, with investment financing, of developing new markets over time."

So the essential role that grants and soft funding play in giving social entrepreneurs the needed breathing room to test, refine, and scale their model will always remain. "Grants are critical in the early stages of product conceptualization and development," said Novogratz. "Patient capital enables risk-taking in areas that would never pass muster in the world of private investment. As an organization gains strength, it offers opportunities for more near-term capital. We need a better understanding of how various kinds of capital work best during different parts of the entrepreneurial trajectory." Alvaro Rodriguez Arregui added, "Philanthropic capital and commercial capital need to be seen as complementary. The first finances the innovation, and the second finances the scaling."

Here the field of microfinance offers important insights. Many tend to forget that Banco Compartamos, the largest microfinance institution in Latin America, used donations for nearly a decade before becoming financially self-sustainable. Compartamos became well known when it raised $467 million in its April 2007 IPO of 35 percent of the company, making a tidy profit for many of its early investors. But it was originally founded by José Ignacio Avalos Hernández in 1990—*17 years earlier*—as a nonprofit.[9] Compartamos was launched with a $50,000 donation from USAID, and the nonprofit grew with subsidized capital for 10 years before Compartamos was incorporated as a fully licensed banking institution with 64,000 clients in 2001. It reincorporated again in 2006 as a for-profit bank with 600,000 customers, which paved the way for the influx of commercial capital and the public offering the following year.[10]

The success of Compartamos shows that even the financially most successful social businesses will require soft capital to launch an innovation. "Mexico did not have microfinance in the early 1990s. An innovation [was] needed . . . to introduce financial services to the country's rural low-income sectors," said Rodriguez Arregui. "This innovation was funded by philanthropic capital, something that commercial capital would not be willing to fund. Once the innovation was proven, commercial capital began to fund the growth and scaling of the organization."[11]

Today, industry pioneers are working out successful models for different kinds of funders to join forces in a "layer-cake" approach to achieving greater impact faster than either could have alone. Leveraging philanthropic dollars as a "first loss" guarantee to attract commercial investors is a promising answer, one that opens the floodgates to sources of capital that otherwise could not be unlocked. "The solution lies in mitigating risk so that commercial capital is willing to enter into organizations they would not otherwise enter because of their risk profile," said Rodriguez Arregui.

Riders for Health offers a particularly creative example. "We were originally going to ask the Skoll Foundation for a large loan to expand our program in Gambia," said Andrea Coleman. "But we realized it would be better to ask them to underwrite the loan from a commercial bank. That way, we would build a strong track record of sound fiscal management as well as build a working relationship with the bank."

With a $425,000 program-related investment loan from Skoll, Riders for Health secured a $3.5 million loan at 8 percent interest from the Guaranty Trust Bank of Nigeria after extensive negotiations. "Skoll's stipulation was that if we were unable to service the loan, we would be liable for the debt if we had caused the inability to repay. But if something occurred out of our control, such as a coup, then we would not be liable." Two years later, Riders for Health is taking out a second loan totaling $5 million from Guaranty Trust Bank with no need for an underwriter, and thanks to training provided by Skoll, the bank staff also developed expertise in lease management and managing a social enterprise.

Another example comes from Bangladesh. Waste Concern, a social enterprise that turns household waste into organic fertilizer at community-run composting plants throughout the country—and in the process captures carbon credits—uses hybrid financing models to implement new projects. "When a new city seeks to replicate our recycling model, the first step is to undertake a pilot demonstration project," said Waste Concern cofounder and director Iftekhar Enaytullah. "For capacity-building and demonstration projects, funds are raised, mainly from UN agencies such as UNDP, UNICEF, UNESCAP, and UNCRD, along with foundations." And when the project is ready for commercial scale, Waste Concern uses mezzanine financing, commercial financing, and financing against receivables such as carbon credits.

But foundations and commercial investors do make strange bedfellows, and it takes creative financial engineering and specialized skills to pull it off. Greater transparency and knowledge-sharing about layer-cake approaches could help the entire industry move quickly up the learning curve about how to structure such partnerships.

The Link between Innovation and Different Forms of Capital

For starters, let's make explicit the link between organizational capital structures and decision-making. Many in the group agreed there is not enough open discussion and debate about how debt in particular can dampen the risk appetite of a social enterprise's management team, a topic that sorely needs further research. "One huge disconnect I see in the social sector is that most funders are tremendously risk averse, while social innovation is all about risk-taking," said Rodriguez Arregui. He continued:

> Funders are looking for predictable outcomes. Whenever you have predictable outcomes, you won't have innovation. If a social venture maintains a low-risk capital structure, they can maintain high-risk operations, which is what you [the impact investor] want them to do: innovate. They've got to try to hit a home run, not punt. I don't like loans because it immediately shortens [the management's] vision. The management starts to play it safe, because they know they will have to pay the loan back soon, and that's not how you encourage breakthrough innovation. Loans might be appropriate at later stages of the life cycle of an organization, but not when you want them to innovate.

We realize this creates a bit of a dilemma. Risk capital typically takes the form of equity investment, but exiting from an equity investment in a social venture can be difficult, particularly if the venture is in a developing economy. The common exits of an initial public offering, an acquisition, or a stock buy-back all pose challenges, particularly if the venture's social mission is to be maintained. None of the proposed solutions to this problem, including social stock markets and permanent capital vehicles that could buy out investors' positions, is well enough developed at this point to provide a robust exit path for equity investors. Ultimately, to encourage the flow of risk capital, we will need to develop a fuller ecosystem with robust exit options for investors. Until then, they are likely to prefer debt.

Nevertheless, the potential downside of debt in discouraging innovation should not be discounted. Investors should keep this in mind when structuring a financing deal and consider flexible forms of capital that, if desired, allow the social enterprise to remain innovative. We also encourage research institutions and academic centers to compare the track records of different types of social capital in incentivizing innovation—not just within organizations, but also the ripple effects such innovations can create throughout entire systems.

THE CAVEATS OF RISING EXPECTATIONS FOR MARKET-RATE RETURNS

The first caveat is that rising expectations for market-rate returns can crowd out social ventures working in areas that simply cannot demonstrate a return in the short run, but in the long run can create greater prosperity for society. "An increasing number of investors are expecting market-rate returns," said Adele Simmons. "In most cases this is not realistic, and in many cases not appropriate. When people expecting quick economic returns support something that realistically has primarily social returns and that takes a long time to embed in the local setting, everyone is unhappy."

Indeed, it is interesting to note that even in the J. P. Morgan study projections, housing accounts for the lion's share of projected profits over the next decade. The other sectors included in the study—water, health, and education—together comprise only 3 percent of potential profits, compared to the potential profits in urban housing. "You can't get penalized for generating 0 percent return or -10 percent return if you are creating the country's first sanitation project in 30 years," said

Novogratz. "We need to move beyond this idea that if it's not making 30 percent returns, it's not viable."

The second caveat is that rising expectations might lead investors to overlook innovative models with the potential to replicate quickly in favor of incremental growth models that could take decades to scale. How can that be? Paradoxically, forfeiting revenue opportunities can be the key to vastly accelerating the impact of an idea. Many successful social enterprises in our network have embraced strategies like open-sourcing, piggybacking on existing distribution networks, or converting underutilized resources into productive assets. Let's look at an example.

Child and Youth Finance International, founded by leading social entrepreneur Jeroo Billimoria, seeks to ensure access to finance and education for one of the world's largest and most vulnerable populations—low-income children and youth. When setting up the organization, Billimoria initially considered setting up a system of banks that provided child-friendly savings and banking products. But after studying microfinance institutions and mainstream banks, she concluded that going the route of building a profitable bank would take her 50 years to achieve her goal of reaching 100 million children in 100 countries, and it might not ensure that she would reach the poorest of the poor. Through her current nonprofit model of piggybacking on existing banks, she hopes to reach her goal in just five years.

Another example is Marc Koska, who spent the past 27 years working on a market-based solution to address the problem of reused or "recycled" syringes—a problem that is estimated to cause 23 million potentially fatal infections and more than one million lost lives each year. Koska and a partner started Star Syringe and designed the K1, an auto-disabled syringe that self-destructs after the first use so that it cannot be reused and hence transmit diseases such as hepatitis or AIDS. A dozen manufacturers from Vietnam to Nigeria currently license the Star technology for a nominal fee (approx 5 percent of the factory gate price) and together produce just short of two million K1 syringes a day, a significant part of the 6 percent penetration across the developing world.

"There are 600 factories around the world, and we need to get to a tipping point where 200 or 300 come forward and say, 'This safety market has been developed and it's viable, so let's start production,'" Koska explained. "Six percent of the world market isn't going to change the problem. But I can't lead that campaign because [I could be accused of] profiting." Koska is currently exploring options to open-source his model and decommercialize his patents, which would enable production to scale dramatically from 6 percent to 60 percent of the world market within five years.

The third caveat about the growing emphasis on near-term returns is one that's hard to get people to talk about honestly: mission drift. Nevertheless, the group did discuss some of the difficult trade-offs and struggles that social ventures face as they transition away from dealing exclusively with the philanthropic world of grants and move into the realm of investment capital. We shared experiences with boards that included investors and "became infected by a profit focus," as well as boards that didn't. One spoke of the shock "upon entering this new investment landscape [and realizing] most of the mindset focused on returns and exit." Yet another issued strong words of caution for social enterprises embracing capital markets: "You may not lose all of your social impact, but you're not really serving [the poorest] anymore. You are forced to go upmarket." While "upmarket" might still be below the poverty line and therefore still qualify as fulfilling an important poverty alleviation goal, it is important to be aware of the shift in target groups. Again, different types of capital are needed to reach different population groups.

Indeed, some critics have suggested that some social enterprises might gradually shift strategies and limit their impact (for example, by phasing out programs that target the neediest or excluding rural areas, which are generally costlier to serve) in response to the changing marketplace that expects near-market returns.[12] Apparently, that hypothetical is already starting to play out in some of the hotter emerging markets. "I am fighting this openly," said Harish Hande, founder and CEO of SELCO Ltd., a pioneer in providing affordable energy access to families living below the poverty line in India.[13]

"The bottom of the pyramid is considered a huge market, and thus investors expect to scale enterprises very fast," said Hande. "But there are various stages involved in creating an organization that serves the poor. New processes have to be built and implemented, and it takes time. Over the last few years, I have personally seen how so-called social investors have sacrificed social and environmental sustainability by unnecessarily pushing for financial returns."

Hande's view from the trenches should serve as a warning: When financial results are easier to measure than social impact, what kinds of safeguards can be put in place to ensure that profit-seeking and social impact are kept in a healthy balance? Can this be done with new legal forms of organization, such as the benefit corporation in the U.S. or the community interest company in the UK? With changes in corporate bylaws? Or with governance structures or stock-voting arrangements? It is worth some serious consideration.

We Need More Investors Willing to Build the Pipeline

When it comes to impact investment, there's a "missing middle." On the lower end of the spectrum, philanthropic capital and angel investors provide start-up financing in the form of grants or loans below $100,000. And then? Where can a maturing social enterprise get transitional funding in the $200,000-$2,000,000 range as it navigates that treacherous period between start-up and scale?

Several members of the group expressed concern that the management fee structure of many impact investment funds is forcing the industry to consolidate toward larger deals, despite scattered improvements to collaborate on due diligence as a cost-saving measure. "We're a $100 million fund and my average investment is $4 million," said Rodriguez Arregui. "I cannot make more investments than I do because I can't have a 10 percent management fee, which would allow me to invest smaller amounts of $200,000 or $500,000, since those take the same amount of time to manage as a $4 million investment."

Even an admittedly unscientific scan of the 94 funds that have created profiles on the Global Impact Investing Network's online platform, ImpactBase, demonstrate a wide variation in the maximum and minimum size of a deal, with less than a third of the funds reporting an average deal size below $1,000,000.[14] And while a few players, such as Acumen Fund and Root Capital, excel at taking on younger, smaller organizations and helping them grow—essentially building the pipeline for large commercial investors—the need for funding in the $200,000-$2,000,000 range likely outstrips the supply. In a recent survey of Schwab Foundation social entrepreneurs, who typically head some of the world's largest social enterprises, well over half of the respondents reported funding needs between $100,000 and $2,000,000.

The economics of this kind of investing and the intensive support these smaller ventures need clearly deter modest six-figure investment deals, but they are nonetheless necessary for the field to achieve its potential. This area could be ripe for more formal collaborative ventures between philanthropy and commercial capital, for example, by comanaging niche funds that specialize in small deals.

Providers of More Than Capital: Partners through Thick and Thin

The investors on the council view their role as much more hands-on than simply providing capital, and they particularly highlighted the importance of local knowledge and the need to step in "as a partner," should problems arise. "Social entrepreneurs work in some of the most difficult markets," said Mahmood. "How do you expand the business capacity of social entrepreneurs to scale their models and business ideas? How do you link them to the right resources and the right partners? How can you provide them the necessary support and clout that allow them to do business unfettered or [to] collaborate with the government, as is often necessary?" Rodriguez Arregui concurred:

> These are the hardest environments in the world to work in. The only certainty is that there will be trouble. How you help [your investees when they are] in the dire straits is the key. If you ask me, "What do you do as an impact investor?" that's what I do. Only 20 percent of what Ignia provides is the capital; 80 percent is everything else. I work with my investees as a partner. I open doors, help them to get out of trouble, create an ecosystem to increase their probabilities of success. We have a vested interest in their success.

The bottom line for investors is to focus on your strengths and pursue investments in sectors and geographies where you can bring that 80 percent to the table. Ask your investees what types of support they would particularly value. Cultivate an open, trusting relationship so that when the going gets tough—as it inevitably will—you will be perceived as an asset and a resource to be brought in early to help navigate a problem before it spirals out of control.

It's worth noting that the social enterprises do not entirely agree that the non-financial services received by investors are as important as investors seem to believe. A Keystone survey among investees of several leading funds showed that fewer than 30 percent of investees typically seemed to be aware of receiving such additional services in the first place, and where they were aware of them, they ranked their utility rather low.[15]

For social entrepreneurs, this should be a key area of discussion with any potential investors: What's the "80 percent" they bring to the table? What local knowledge does the investor have to help you navigate troubled waters? Receive reassurances that you have a similar vision on how to handle crisis situations before signing on the dotted line.

CONCLUDING THOUGHTS

Social investing has tremendous long-term potential. However, if the issues we have raised here are neglected, it could prove to be a passing fad. Without soft funding, without true risk capital, without protections for the social mission, without organizations dedicated to developing the pipeline of earlier stage organizations, without high-quality technical and managerial support, the number of successful deals and the profit potential could prove a dream. If everyone focuses on the endgame, the mature deals promising strong profits and social impact, the game is likely to end very soon. High-end impact investing can exist only as part of a much richer ecosystem in which social ventures are supported, field-tested, and nurtured to a point where they become suitable for more commercially oriented funding. Now that we have taken a glimpse at the rosy future of impact investing, let's get back to the present and build the foundation.

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1. The group, chaired by Greg Dees, director of the Center to Advance Social Entrepreneurship at Duke University and widely considered the "father of social entrepreneurship as an academic field," included impact investing pioneers with a decade or more of experience, leading scholars in the field, and globally recognized social entrepreneurs: Jacqueline Novogratz, founder and CEO of Acumen Fund, U.S.; Asad Mahmood, managing director of Global Social Investment Funds, Deutsche Bank, U.S.; Andrea Coleman, cofounder and CEO, Riders for Health, UK; Alvaro Rodriguez Arregui, cofounder and managing partner of Ignia Partners LLC, Mexico; Johanna Mair, a scholar at the Center on Philanthropy and Civil Society at Stanford University, U.S.; José Ignacio Avalos Hernandez, founder and CEO of Un Kilo de Ayuda, Mexico; Adele Simmons, president, Global Philanthropy Partnership, U.S.; Rick Aubry, founder and CEO of New Foundry Ventures, U.S.; Matthew Bishop, author of Philanthrocapitalism; Brizio Biondi-Morra, president of AVINA, Costa Rica; Jed Emerson, founder of Blendedvalue.org, U.S.; Martin Fisher, cofounder and CEO of KickStart International, U.S.; Ashok Khosla, chairman of Development Alternatives, India; Helmy Abouleish, managing director of SEKEM Group, Egypt; Roberto Artavia, president of VIVA Trust, Costa Rica; Kathy Bushkin Calvin, CEO of the United Nations Foundation, U.S.; and Boris Nikolic, advisor to the Bill & Melinda Gates Foundation, U.S.
2. Available at http://www.secondact.com/2011/06/impact-investing-goes-small-time/.
3. Available at http://www.nytimes.com/2010/04/24/your-money/24wealth.html.
4. Available at http://www.jpmorgan.com/cm/cs?pagename=JPM/DirectDoc&urlname=impact_investments_n

ov2010.pdf, p. 12.

5. For the full Social Investment Manual, see http://www.schwabfound.org/pdf/schwabfound/SocialInvestmentManual.pdf.
6. KickStart develops and promotes technologies such as irrigation pumps and seed presses that can be used by entrepreneurs in Africa to establish and run profitable small-scale enterprises. Every month, more than 1,300 new businesses are created in sub-Saharan Africa using KickStart's products, which collectively generate new revenue equivalent to more than 0.6 percent of Kenya's GDP and 0.25 percent of Tanzania's GDP.
7. Riders for Health, a social enterprise that has won multiple awards, partners with national governments and UN agencies in seven African countries to maintain a large fleet of motorcycles that enable health workers to serve rural populations more efficiently.
8. Ashish Karamchandani, Michael Kubzansky, and Paul Frandano, *Emerging Markets, Emerging Models: Market-Based Solutions to the Challenges of Global Poverty*, March 2009.
9. Jose Ignacio Avalos continued as non-executive chairman of Compartamos. The daily operations were run by Carlos Danel and Carlos Labarthe.
10. See http://accionambassadors.wordpress.com/2011/06/04/a-new-advocate-to-the-commercial-approach-of-microfinance/.
11. Alvaro continued, "Most will see this complementarity as a subsidy to commercial capital. It is not. It is simply roles being played at different stages of the evolution of the organization and different levels of risk. One reason why this is interpreted as subsidy is because of the traditional structure of grants. If the project is successful, the grant funders enjoy no upside. We need to be more creative and strict in cases where philanthropic capital funds innovations that are at a pre-commercial stage [such that] when the project is successful, [the donors] will also enjoy the upside. Taking the Compartamos example, those early funders should have enjoyed the benefits of the upside at the time of the IPO. If we could do it again, I think we should structure it that way, and this should be a lesson learned for all social enterprises."
12. See www.nextbillion.net/blog/2011/05/26/the-dangerous-promise-of-impact-investingfrom-ashoka-europe.
13. SELCO sells customized solar energy systems that provide clean electricity for home use. A standard system costs less than $400, which customers can pay off in monthly installments of $6 to $8 a month over five years.
14. See http://www.impactbase.org/database/browse-funds for the profiled funds; calculations are author's own.
15. See "Investee Feedback Report: CAF Venturesome," Keystone Performance Surveys. Available at http://www.cafonline.org/pdf/Keystone%20Performance%20Survey_CAF%20Venturesome_Final%20Report.pdf, pp. 19-26.

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9. Mark S. LeClair. The New Philanthropy: The Rise of Nontraditional Giving in the United States 89-130. [Crossref]