

White Paper

CSR^{ASIA}

**Strategic philanthropy:
Unlocking entrepreneurial
potential**

White Paper
Unlocking Entrepreneurial Potential

Authors
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As a globally active financial institution founded over 150 years ago in Switzerland, we are committed to the communities in which we live and work. We serve our clients with passion and strive to be a responsible citizen, conducting our business with a long-term view on social sustainability. We serve many of the wealthiest individuals and families spanning 50 countries and know that they share with us our commitment towards the needs of society. We are pleased to present to you this White Paper *Strategic Philanthropy: Unlocking Entrepreneurial Potential*, developed in collaboration with our partner CSR Asia.

As many of the world's wealthiest people are expected to donate a significant amount of their fortune to philanthropy, questions may arise. This paper aims to provide you with answers on how to best use your wealth to ensure it drives social change.

The paper illustrates how current trends in philanthropy — the trend of adopting a more business-like approach focused on positive societal impacts and the trend towards local philanthropy in emerging markets — match very well the potential that lies in stimulating entrepreneurship and small business growth in developing countries. It highlights a number of approaches that may guide you in choosing your investments and in encouraging entrepreneurship. Alongside these examples, the paper features a series of case studies, showing how philanthropists around the world invest their wealth, their experience, and their skills in order to unlock entrepreneurial potential.

We hope that you will find this White Paper inspiring and it will help you to pursue your philanthropic endeavors.

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Content

Executive summary	5
New trends in philanthropy	7
A business-like approach to philanthropy	7
Case study 1	12
Dr. Ir. Ciputra, Indonesia How entrepreneurship can improve lives	
Entrepreneurial potential in development	14
Case study 2	20
Jeff Skoll, US Driving social change through the Skoll Foundation	
The role of philanthropists in creating viable enterprises	22
Philanthropy's New Frontier	28
Jacqueline Novogratz, founder and CEO Acumen Fund Interview by Paul Melly, writer on development issues	
Case study 3	37
Jack Ma, China Supporting small and medium-sized enterprises	
Philanthropy and entrepreneurial education	38
Case study 4	42
Putera Sampoerna, Indonesia Improving entrepreneurial education	
Having an impact and being accountable	44
Why should philanthropists measure their impact?	44
Case study 5	51
José Ignacio Avalos Hernández, Mexico Social enterprises to create meaningful impact	
Resources	52
Contributors	54



Executive summary

Enterprises and social organizations based around business principles have the potential to produce more significant and long-lasting returns on investment than those that are not.

We are amidst an exciting global movement with philanthropists from both developed and emerging economies using targeted and innovative approaches to address sustainable development in developing countries. *Strategic Philanthropy: Unlocking Entrepreneurial Potential* explores the potential that exists for strategic philanthropists in stimulating entrepreneurship and small business development in developing countries. Philanthropists are increasingly recognizing the importance of adopting a more business-like approach to philanthropy to maximize social and environmental returns of their philanthropic investments. This links well to the innovation that cuts through development thinking, which incorporates entrepreneurial thinking in development. New approaches focus increasingly on driving economic growth by stimulating small and medium-sized enterprises. Enterprises and social organizations based around business principles have the potential to produce more significant and long-lasting returns on investment than those that are not. Although they have huge potential in emerging economies, small and medium-sized enterprises face severe obstacles in realizing this. Enterprises in a developing country need improved access to capital and business knowledge and an enabling environment to grow and thrive.

Strategic philanthropists are in a unique position to support entrepreneurial development. Support can be aimed at providing access to affordable capital; bringing business knowledge and experience; engaging marginalized groups in entrepreneurial opportunities and stimulating entrepreneurial education at all levels. The paper includes a wide range of practical examples of organizations, funds, networks and businesses that have developed various approaches to encourage entrepreneurship in developing countries.

Venture philanthropy is a promising tool to support enterprise solutions while generating both financial returns and social or environmental returns. Venture philanthropy investments have a proven track record of nurturing profitable businesses, with measurable effects on poverty reduction and other social and environmental challenges. The paper features key principles to make venture philanthropic investments successful, including practical suggestions for combining non-financial assistance with investments and tailoring it to local needs, and ideas on how to select good partners and investees. By focusing support on enterprises that bring about systemic change, for example among women and young people, there is an opportunity to provide substantial economic and social value.

Measuring impact is a crucial component of successful philanthropy as it helps to focus on results and impact, ensures effective allocation of resources, and upholds accountability. The paper describes the impact value chain and impact measurement tools that help to identify positive and negative changes in the community resulting from investments.

Many wealthy individuals have made their fortune out of their entrepreneurial talents, and the new emphasis on using both their wealth and skills as an investment to unlock entrepreneurial potential in emerging markets resonates amongst some of the world's leading philanthropists. Throughout the paper, examples of these philanthropists are highlighted as sources of inspiration.

Resources outlined at the end of the report serve as a reference for philanthropists interested in applying their capacities to unlock entrepreneurial potential in developing markets.



New trends in philanthropy

A business-like approach to philanthropy

Philanthropists are increasingly recognizing the importance of adopting a more business-like approach to philanthropy.¹

Today's discussion on philanthropy abounds with new terms — “venture philanthropy,” “impact investing,” “entrepreneurial philanthropists,” “social venture capital” — suggesting a new generation of philanthropists that have used successful business models in order to address global challenges as big as poverty, education, and health. They belong to the family of strategic philanthropists and are celebrated by the media for their hands-on approach to philanthropy with a focus on achieving outcomes and a willingness to take risks and embrace innovation. As philanthropic concepts evolve it is difficult to draw the line between these new types of philanthropists. In many cases the terms are used interchangeably.

Strategic philanthropists ascribe themselves to a more businesslike approach and look for targeted and lasting impacts. They recognize that they need to apply innovative approaches to sustainable development,² focus on entrepreneurial talent and stress transparency, accountability, and long-lasting outcomes. They understand that local ownership is important to ensure that actual needs are being met and results are sustainable.³ Whereas traditional philanthropy often focuses on the inputs, this strategic approach focuses on results. In many cases, it builds on the entrepreneurial tradition of creating value and the understanding that a business approach focused on “returns” on investments (albeit financial, environmental, or social) is what is needed for lasting social change.

¹ Economist Intelligence Unit (2010): The new world of wealth: Seven key trends for investing, giving and spending among the very rich. London, New York, Hong Kong.

² Development which seeks to produce sustainable economic growth which meets the needs of the present, while maintaining natural resources, ecosystems, and biodiversity, without compromising the ability of future generations to meet their own needs (Adapted from the World Bank and the Brundtland Commission).

³ Used to describe a number of independent organizations whose primary purpose is to create social value in society, such as non-governmental organizations, charities, and social enterprises.

...as major emerging markets grow, the number of local philanthropists is growing.

There is a growing interest in the philanthropic arena in how [business skills and profitable investment models](#) can be used in order to improve the effectiveness of projects and associated outcomes. Strategic philanthropists work increasingly in high-engagement approaches that bring together both finance and skills to allow them to be involved in leveraging not only their capital but also their time, experience, networks, and technology. This way, philanthropists can better relate to their philanthropic giving and ensure that their funds achieve the social or environmental impacts they desire. The aim of overcoming dependence on donations and finding ways to help the non-profit sector become more self-sustaining is at the core of these new forms of philanthropy.

Both the traditional and the business-like approach to philanthropy provide opportunities to drive social change in developing countries. This paper focuses on the role of strategic philanthropy, which involves building upon the success of business skills and experience and complementing it with a focus on social and environmental impacts rather than inputs.

A trend towards local philanthropy in emerging economies

Traditionally, the US has dominated international philanthropy, with the country's donations totaling about 225 billion dollars in 2009.⁴ But, as major emerging markets grow, the number of local philanthropists is growing. Equally, the environment for philanthropy in these countries is maturing and governments are increasingly acknowledging the value of harnessing the expertise of wealthy entrepreneurs.⁵ Some examples of regional potential are highlighted below.

In **China** where rapid development has been accompanied by growing social and environmental concerns, the government increasingly sees the potential for philanthropy to contribute to society and is considering joint efforts with private philanthropists.⁶ Chinese businessmen such as Hong Kong-based Li Ka-Shing have set up their own foundations and are increasingly transparent about their philanthropic giving.⁷ For example, in a joint effort with the Li Ka-Shing foundation, China's Ministry of Civil Affairs launched the Paediatric Hernia Rehabilitation Program in 2009 to provide free surgery for children.⁸

Similarly, philanthropy is rapidly growing in the Middle East region. New opportunities have arisen from lending based on Shariah principles of shared success between the operator and financier of a venture. Affluent business leaders are bringing innovation to the usual targets of philanthropic giving. They also provide leadership through organizing their giving to be institutionalized, sustainable, and increasingly, to be strategic. In the United Arab Emirates "public-private partnership foundations," such as the Emirates Foundation based in Abu Dhabi, are based on the financial contributions of both a governmental or quasi-governmental entity and private donors who provide conditions for supporting causes that maximize impact.⁹

In Russia, until seven years ago there was not a single private foundation and ten years ago overall domestic philanthropic giving barely exceeded 100 million dollars. Now we see a growing number of private foundations being established by wealthy Russians. But according to CAF Global Trustees, the majority of newly wealthy donors struggle to identify a long-term mission in their giving; they aspire to embrace strategic philanthropy but are still looking for effective ways to do that in specific Russian circumstances.¹⁰

In Africa foundations financed solely by home-grown wealth are emerging. The Sudanese entrepreneur Mo Ibrahim, founder of Celtel International, a telecommunications company in Africa and the Middle East currently known as Zain, stepped down as Celtel's chairman to concentrate on his foundation that aims to support good governance and great leadership in Africa. The Africa Grantmakers Network created by organizations such as the African Women's Development Fund based in Ghana and the Kenya Community Development Foundation, aims to "change the narrative of Africa as helpless and hapless, tilt the balance of stories, and increase the visibility and knowledge of Africa."¹¹

Local philanthropists have the opportunity to drive social change in their home countries, inspired by domestic values, beliefs, and cultures. This paper features four case studies of local philanthropists: Putera Sampoerna from Indonesia (page 40), Jack Ma from China (page 35), Dr. Ir. Ciputra from Indonesia (page 10), and José Ignacio Avalos Hernández from Mexico (page 40).

Besides a growing focus on local giving, philanthropy is becoming increasingly transnational. As global media makes world crises more visible, philanthropists are increasingly likely to give to causes beyond their own tax jurisdictions to support underprivileged communities around the world.

Wealthy individuals are increasingly finding opportunities to make their transnational giving local by registering institutions abroad or by partnering with local peers to operate effectively and to ensure that real needs are being met in the countries of their focus.

In an effort to make sustainable contributions in a locally relevant context, strategic philanthropists are increasingly looking for ways to align their efforts with local and international institutions working on tackling development challenges. With its strategic approach, transnational philanthropy can leverage local philanthropy built on domestic values. There are huge opportunities to explore, specifically relating to unlocking the entrepreneurial potential in developing countries.

Throughout the paper, case studies on philanthropists are included that, each in its own way focus on unlocking entrepreneurial potential in developing countries. Jeff Skoll (page 18) drives social change through his Skoll Foundation, focused on stimulating social entrepreneurship. Through various initiatives related to Alibaba.com, Jack Ma (page 35) supports small and medium-sized enterprises in China. After selling his cigarette company, Putera Sampoerna (page 40) founded the Putera Foundation to improve entrepreneurial education in Indonesia. Dr. Ir. Ciputra (page 10) is convinced that if entrepreneurship could lead him out of poverty, this competence should be shared to improve the world. And business magnate José Ignacio Avalos Hernández (page 40) is Mexico's most well-known philanthropist, involved in social enterprises that create meaningful impact in his country.

⁴ The Center on Philanthropy at Indiana University (2010): Giving USA 2010: The Annual Report on Philanthropy for the Year 2009.

⁵ Economist Intelligence Unit (2010): The new world of wealth: Seven key trends for investing, giving and spending among the very rich. London, New York, Hong Kong.

⁶ Linebaugh, K. and Spencer, J. (2007): The Revolution of Chairman Li. In: The Wall Street Journal. The Wealth Report.

⁷ Ibid.

⁸ Li Ka Shing Foundation (2009): Li Ka Shing Foundation and Ministry of Civil Affairs launch RMB 50 million Paediatric Hernia Rehabilitation Program in three western Provinces. Press Release.

⁹ Ibrahim, B. and Sherif, D. (2009): From Charity to Change: Trends in Arab Philanthropy. American University in Cairo Press.

¹⁰ Alexeeva, O. (2007): New philanthropy: a micro-world of busy youngsters. (2008): Russia: historic growth in private giving. In: philanthropy UK newsletter, Issue 34, September 2008.

¹¹ TrustAfrica (2009): African Grantmakers Network is launched.

Key Points

As philanthropy evolves, an increasing number of philanthropists are adopting a more business-like approach to philanthropy and looking for targeted and lasting impacts.

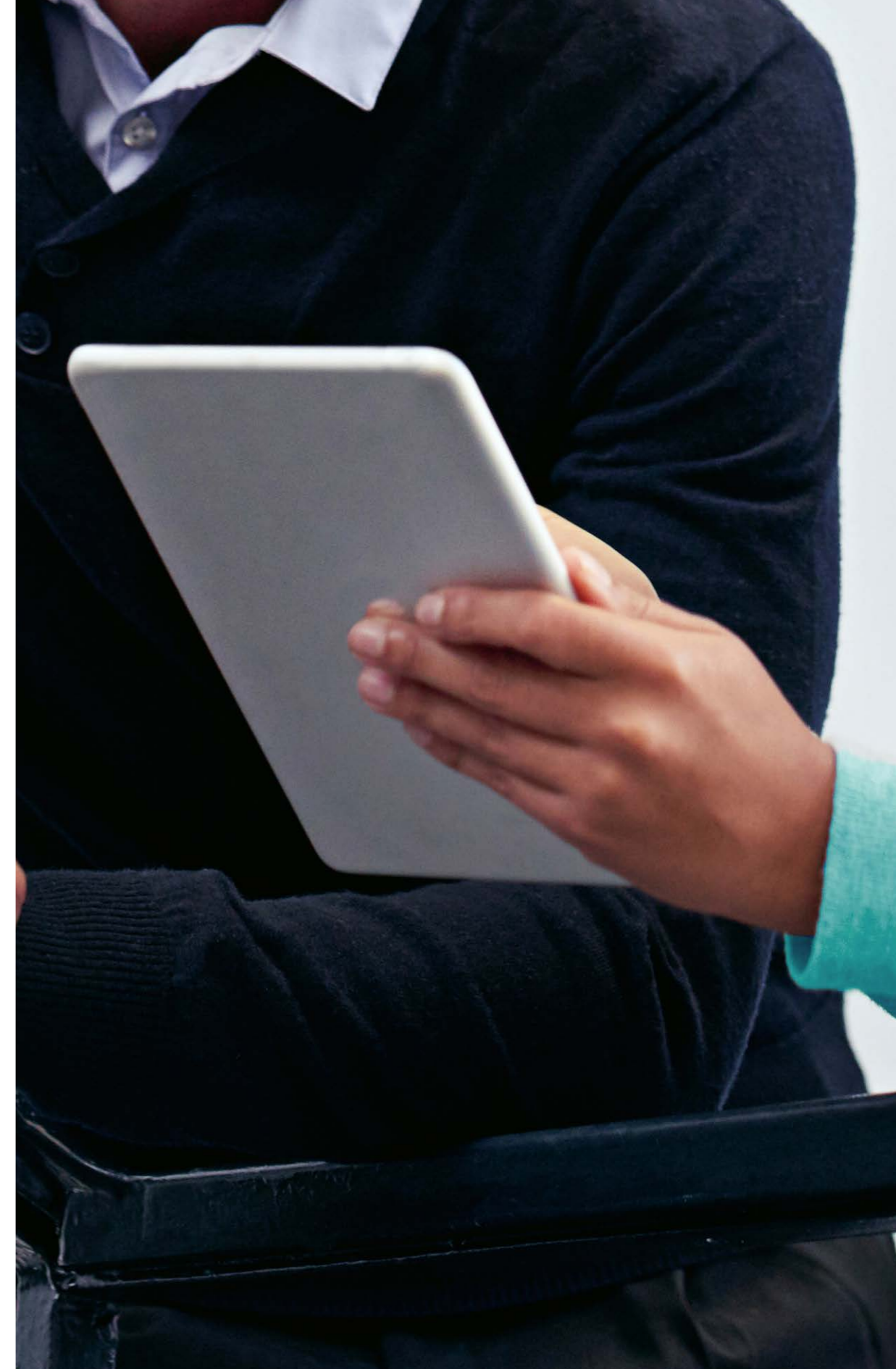
Strategic philanthropists work increasingly in high-engagement approaches that bring together both finance and business skills; and investment models can be used to improve the effectiveness of projects.

These strategic philanthropists have great potential to drive social change in developing countries.

In emerging economies, the number of local philanthropists is growing and local governments are increasingly acknowledging the value of wealthy individuals.

Local philanthropists have the opportunity to drive social change, inspired by domestic values, beliefs, and cultures.

With its strategic approach, transnational philanthropy can leverage local philanthropy built on domestic values.



Case study 1

Dr. Ir. Ciputra, Indonesia

How entrepreneurship can improve lives²

Dr. Ir. Ciputra, Founder of Ciputra Group and Universitas Ciputra Entrepreneurship Center (UCEC), was born in a village on Sulawesi, Indonesia in 1931. Upon his father's death, his family was left impoverished. He vowed not to remain poor. Throughout his life he cooperated to found three large property development groups in Indonesia: Jaya Group, Metropolitan Group, and Ciputra Group, which employ more than 15,000 people. Dr. Ciputra is considered one of the wealthiest individuals and biggest philanthropists in Indonesia.

In 2001 he realized that if the ability of entrepreneurship could lead him out of poverty, this competence should be shared to improve the world. His first challenge was to convince the country and its decision-makers to believe in entrepreneurship in order gain momentum and to scale up the potential nationally. Dr. Ciputra's first step was to invest 10 million dollars to establish Universitas Ciputra (University of Ciputra) in 2006 which introduced entrepreneurship as the main theme for all students, regardless of their department of study. Its first class saw 100 out of 166 students starting companies, 50% of whom were women.

After this success, he understood that entrepreneurship for the nation means entrepreneurship in the education system from the early ages. With University of Ciputra Entrepreneurship Centre (UCEC) he included entrepreneurship curriculum in primary and secondary schools and began to promote entrepreneurship to all people.

To be able to reach scale, he understood that it would be crucial to train educators and trainers in the principles and practice of entrepreneurship. This program is crucial to be able to spread the program across the 17,000 islands of Indonesia to reach as much of the population as possible. In 2009, President Yudhoyono of Indonesia publicly endorsed Dr. Ciputra's approach and his call for more entrepreneurship education. This triggered a nationwide implementation of entrepreneurship education.

His more than fifty years in business taught him how to emerge from poverty to generate wealth and prosperity. He estimates that currently less than 1% of Indonesia's nearly 250 million people are entrepreneurs building scalable innovative companies. When compared with 13% in the United States and 7% in Singapore, this figure shows a tremendous opportunity for the future. Ciputra wants to transform the country by directly helping to encourage, create, and mentor four million entrepreneurs or 2% of the country's population through his programs.

Dr. Ciputra's view on his main challenges

"I think everybody who spreads entrepreneurship in Indonesia agrees that the main challenge is our mindset that hinders the furtherance of entrepreneurship in Indonesia. Among young generations the major mindset is that they are learning at school to eventually become job seekers rather than job creators. This is actually an integral part of our national education system.

This is supported by a cultural value in the majority of our society that being an entrepreneur is not as honorable as being an employee, especially a state employee. For example for the majority of Javanese, the most honorable status is given to the royal family, next is the "Amtenaar," the Indonesian state employee, the lowest is reserved for entrepreneurs. This is the most frequent complaint we heard from students. They complain that they do not have the approval and blessing from their parents to become entrepreneurs. Being an entrepreneur could become a disgrace for a family."

Dr. Ciputra's tips on how to overcome these challenges

"As an entrepreneur, of course I have to be convinced myself that entrepreneurship is teachable. Therefore we build our K-12 schools and Universitas Ciputra for a single purpose, which is to provide evidence and proof that indeed entrepreneurship can be taught. We successfully managed that thanks to our academic team. We found that the biggest issue is not only the content of your program, but more than

that is the way you teach it. We found the pedagogical aspect of entrepreneurship is the key to the success. Therefore, we built what we call "Entrepreneurship Learning The Ciputra Way" on seven principles of the Ciputra Way and other communication tools to teach our society about entrepreneurship.

We have done hundreds of seminars and workshops in different cities throughout Indonesia. We reach out to media partners to help us to spread the idea of how important and urgent entrepreneurship is for Indonesia. So far we have convinced almost all media partners to co-share the concern and our vision to build Indonesia through entrepreneurship. We believe that entrepreneurship will enrich, equip, and empower us to reduce unemployment, erase poverty, and finally to realize prosperity in our beloved motherland Indonesia."

Dr. Ciputra's three key strategies for philanthropists to support small business development in emerging markets

"First is entrepreneurship education. It will transform the mindset of small business owners to embrace entrepreneurial mindsets. Without it, they will stay small business owners. I believe there are three fundamental traits these small business owners need to have: they must be opportunity creators, innovators, and engage in calculated-risk taking. If these three traits are carefully learned, I believe a process that I call Quantum Leap on entrepreneurship will help them jump from their level to a much higher level on business.

Second is that we need to create a conducive environment for these small businesses to grow. This environment will ease the pain of startups. It can be used as the laboratory for aspiring entrepreneurs to implement the ideas, knowledge, and skills they have learned from entrepreneurship training. It can also be a place for them to learn how their startup companies will work or how they learn to scale up their companies in a simple manner. On this second stage we could help build incubator centers.

Third, we should help them with financial stimulus. It is interesting to find out that many of our entrepreneurship training graduates who are ready to jump into the market say they do not need our financial support anymore since they know how to generate capital for their startups.

I think I have a very strong capability to create value. This is why for me an entrepreneur is someone who can turn trash and scraps to gold. What will create sustainable energy to realize my dream are strong motivation and determination, hard work, and self-confidence. I believe these three factors combined are what constitute."

With University of Ciputra Entrepreneurship Centre (UCEC) he [Dr. Ciputra] included an entrepreneurship curriculum in primary and secondary schools and began to promote entrepreneurship to all people.

² Lacy, 2010; Ewing Marion Kauffman Foundation

Entrepreneurial potential in development

The development challenge — After 50 years of huge capital inflows from member countries of the Organization for Economic Co-operation and Development (OECD) to developing countries, there is much debate over the impact of such strategies on economic growth and development.

Poverty is still widespread and large numbers of the world's economically disadvantaged have not benefited from the staggering rise of global wealth elsewhere. Some countries such as China have been able to decrease their poverty levels, mainly due to inward investment and economic growth, but many other developing countries are struggling to meet the targets set in 2000 by the Millennium Development Goals (MDGs). Globally the gap between the rich and the economically disadvantaged has worsened over time and continues to widen each year.

A growing number of people question why foreign aid has failed to produce sustainable growth in many developing countries. They feel money is not the primary problem, but governments and the current development aid structure are. William Easterly distinguishes two types of donors: "Planners," who believe in imposing top-down big plans on developing countries, and "Searchers," who look for bottom-up solutions to specific needs. Searchers, according to Easterly, have a much better chance of success. The searchers find grassroots solutions that work and provide support to them, keeping in mind local demand and conditions. And searchers find out whether the customer was satisfied in the end, i.e. sufficient impact was created.¹²

In many ways the strategic approach to philanthropy to support social change in developing countries is incorporating values of Easterly's "Searchers" model.

Wave of innovation

Governments and development agencies started to collaborate with strategic philanthropists from various backgrounds in the late 1990s to increase their capacity to combat global problems.¹³ Since then, these philanthropists have become important players and are increasingly pushing their own social and development agendas. At the same time the private sector, with its huge inflow of capital in developing countries, has become aware that it also has a role in supporting the disadvantaged and it is increasingly involved in pro-poor initiatives and business models. It is worth mentioning four individuals in this respect:

¹² Easterly, W. (2006): The White Man's Burden.

¹³ Moran, M. (2009): New Developments in Philanthropy: How Private Foundations are Changing International Development. International Trade Forum Issue 4.

— **Grameen Bank** and **Mohammed Yunus** were jointly awarded the Nobel Peace Prize in 2006 for "their efforts to create economic and social development from below."¹⁴ This opened the door to their Microfinance approach to poverty alleviation which emphasizes the capability of the economically disadvantaged to help themselves, when allowed equitable access to resources.

— With his book "The Fortune at the Bottom of the Pyramid" **C.K. Prahalad** was able to direct the attention of businesses and financial institutions to the world's four billion economically disadvantaged and, more specifically, the world's two billion people living at the bottom of the pyramid (BoP). He argued that they represent an enormous value of untapped resources and purchasing power.¹⁵ Prahalad and others developed the concept of "inclusive capitalism," which is based on respecting individuals at the BoP as consumers and joint problem solvers. There is significantly more potential for new markets and business developments at the BoP than commonly assumed.¹⁶

— **Bill Gates** speaks of "creative capitalism" and argues that capitalism can and should be used to solve the world's problems. In fact, Gates argues that through capitalism new markets can be found and innovative solutions can be developed to provide economically disadvantaged people with easy access to high quality products.

— **Jacqueline Novogratz**, founder of Acumen Fund (see page 28), is a big advocate for driving social change in developing countries by utilizing capital to invest in entrepreneurial innovation. She stresses the advantages of business models over charity, which include increased sustainability, a greater sense of ownership, and improved skills.¹⁷

These four remarkable individuals represent a wave of innovation that cuts through development thinking. These innovators all incorporate entrepreneurial thinking in their approaches to the development challenge and search for grassroots solutions. In doing so, they have inspired many of the well-established social purpose organizations to rethink concepts of professionalism, accountability, and strategy.

Enterprises as the drivers of growth

One of the ways to incorporate entrepreneurial thinking as an approach to the development challenge is to view enterprises as the drivers of growth. Just as in developed economies, developing economies consist of large, medium, and small enterprises. And likewise small and medium-sized businesses are the drivers of economic growth in developing countries. They create jobs and increase spending on inputs. Local entrepreneurs create local supply chains and have the potential to impact the more disadvantaged groups in the community simply due to their local activity radius. Successful small enterprises create jobs four times quicker than large firms. They create revenue and add to a country's GDP six times quicker than large firms.¹⁸

In developed countries, small and medium-sized enterprises (SMEs) account for 57% of employment and over 50% of GDP. But in developing countries, SMEs account for just 18% of employment and 16% of GDP. Here, the private sector consists mainly of micro-enterprises operating alongside much larger firms. Micro-enterprises employ up to five people and operate largely in the informal sector. Worldwide about one billion people, mainly women, work as micro-entrepreneurs.

While micro-enterprises have a huge effect on employment, initiating entrepreneurial attitudes and increasing household incomes, important growth potential lies in growing and scaling-up such enterprises to become viable small or medium-sized enterprises.¹⁹ However SMEs employing approximately 10 to 100 people are scarce and constitute a "missing middle."

¹⁴ Nobel Prize website: nobelprize.org/nobel_prizes/peace/laureates/2006/press.html

¹⁵ Learn more about the BoP approach on the Next Billion website: www.nextbillion.net

¹⁶ Eberly, D. (2007): Micro-Enterprise: Tapping Native Capability at the Bottom of the Pyramid.

¹⁷ Same as footnote 14.

^{18,19} AT Kearny Research.

Currently due to repetitive business models, lack of innovation, legal barriers to capital accumulation, and lack of access to credit, micro-enterprises seldom grow into successful SMEs.²⁰

Experts at the International Finance Corporation (IFC) and the World Bank consider local SMEs to be crucial for economic development.²¹ They are the source of dynamism for local market development and the backbone of the local economy. Entrepreneurs in SMEs use a combination of innovation and improvisation to develop local products and services for local needs using local resources, creating a sense of ownership and empowerment.

Social enterprises: merging social impact and profit

A specific approach is to focus on nurturing social enterprises. Social enterprises are enterprises that apply business models to address specific social or environmental challenges; they have gained much attention since this wave of innovation cut through development thinking. Social enterprises are distinctive because their social or environmental purpose remains central to their operation. Rather than maximizing financial returns, the main aim of social enterprises is to generate growth or profit to further their social and/or environmental goals. Successful and less successful social enterprises are sprouting everywhere and there is still much debate on the accurate definition and the actual impact of social enterprises. Global organizations like Schwab Foundation (supported by the World Economic Forum), Ashoka (featured above), and the Skoll Foundation (featured on page 20) play a significant role in promoting and building capacity around the world on social entrepreneurship.

In developing countries there is a great potential for social enterprises that come up with innovative products and services, which provide solutions to the development challenge and can be implemented on a larger scale. A company like LifeSpring Hospitals shows that it is possible to develop successful social business models that reach scale and meaningful impact. Strategic philanthropists can use their innovative thinking and their capital to support high potential social enterprises to deliver on their social and environmental objectives.

Overcoming obstacles to enterprise development

Although enterprises, both conventional and social enterprises, have huge potential in emerging economies, they face severe obstacles in realizing this. In the following paragraphs these obstacles are explained. If these barriers to growth were removed with the right set of measures, SMEs and social enterprises would be able to create more jobs, create more wealth, broaden the tax base, and ultimately decrease poverty levels.²² The potential of strategic philanthropists to support small and medium-sized enterprises and business development in a developing country context is therefore huge and fortunately there recently have been many promising initiatives to help remove these obstacles to enterprise development.

LifeSpring Hospitals

LifeSpring Hospitals is an expanding for-profit chain of maternity hospitals that provide high quality health care to lower-income women and children in India.

The social enterprise accommodates 20-25 beds each, provides lower income mothers with high-quality, healthcare and delivery services at 30-50% of market rates. It also provides pediatric care, including immunizations, as well as diagnostic services, a pharmacy, and healthcare education to the communities in which they are located.

A focus on lowering costs and increasing productivity (without cutting down on quality), while tapping into huge market demand (affordable high-quality health care was not available previously) is key to LifeSpring's success.

Through its affordable services, LifeSpring significantly reduces the burden of rising health costs on the nation's low-income communities, helping to reduce poverty.

LifeSpring Hospitals is a 50-50 equity partnership between HLL Lifecare Limited (a government of India enterprise and formerly Hindustan Latex Limited) and the Acumen Fund, a US-based non-profit global venture philanthropy fund.

Reference: www.lifespring.in

Ashoka

Ashoka's founder, Bill Drayton, has pioneered the concept of social entrepreneurship. The organization has invested in almost 2,000 social entrepreneurs in 70 countries around the world by adopting them into the Ashoka Fellowship program.

Ashoka supports high-impact social entrepreneurs to help leverage their impact, scale their ideas, and capture and disseminate their best practices. It also helps build the infrastructure and financial systems needed to support their growth. The entrepreneurs are elected as an Ashoka Fellow. Fellows get awarded a three-year stipend, following a financial assessment and based on the condition that individuals remain committed full-time to spreading their ideas and building their institutions. In addition to funding, the Ashoka Fellow receives non-financial services, including training in business planning, communication, public relations, and legal advice. Ashoka fellows are given access to a global network of social entrepreneurs, fostering collaboration and the opportunity to share information and build sustainability.

Non-financial services are typically delivered by members of the Ashoka Support Network, strategic partners including business entrepreneurs, top executives, investment bankers, venture capitalists, and consultants from Europe, the US, South America, India, and beyond. In many cases, these members are successful business entrepreneurs who have themselves created change and impact and who are seeking to apply their expertise and knowledge in their philanthropic endeavors.

Reference: www.ashoka.org

Access to capital

Access to capital is crucial for enterprise development and for building consumer capacity. Studies show that 90% of entrepreneurs are excluded from financial services in their countries.²³ Without sufficient financial services micro, small and medium-sized businesses have no opportunity to scale up their operations.

“We believe that the growth of a global citizen sector begins with the work of individual social entrepreneurs. These entrepreneurs drive the sector forward, responding to new challenges and changing needs. They are rooted in local communities but think and act globally.”

Currently the most common way of financing the start or growth of a business in an emerging economy is through family capital. Moneylenders and commission agents are a second source of finance, but their fees and interest rates are often too high to make businesses viable. Commercial banks do offer loans to SMEs, but on unfavorable terms (high collateral and high interest rates) because of the high risks associated with these transactions.

²⁰ Molenaar, K. (2006): Business Development Services, a key issue too often forgotten.

²¹ Kauffman, C. (2004): Financing SMEs in Africa.

²² Newberry, D. (2006): The Role of Small- and Medium-Sized Enterprises in the Futures of Emerging Economies.

²³ The Millken Institute (2009) Stimulating Investment in Emerging-Market SMEs.

Microfinance is one of the better-known solutions for providing access to capital to micro-enterprises. Microfinance extends credit to those who are economically disadvantaged but have the skills to help themselves. Since the increase in worldwide attention on microfinance, resulting from Muhammad Yunus's Nobel Prize in 2006, financial access (up to approximately 10'000 dollars) for micro-enterprises has improved. The microfinance model relies heavily on peer pressure as collateral, with borrowers from a community collectively taking loans and guaranteeing repayment. It is this unique element of responsibility, which has attributed to such successful repayment rates (95%) on loans. Since its inception microfinance has gained a lot of attention and inflow of capital.

The type of support inherent to microfinance lending generally does not fit the needs of SMEs.²⁴ SMEs need capital one step up from microfinance, generally referred to as "Mesofinance" from 10'000 up to 500'000 dollars. New options are emerging to meet this gap in access to capital for SMEs' financial needs, including commercial banks moving "downmarket," micro-credit institutions moving "up," and creative application of venture philanthropy (see section on Venture philanthropy).²⁵

Business knowledge

Lack of business know-how is the biggest factor affecting SME development. As SMEs scale up, enter the formal sector, employ more workers, and compete regionally or globally, a lack of accounting, marketing, inventory management, and business plan skills prevents owners from succeeding.²⁶ In many cases, innovative organizations have stepped in to provide technical assistance and management training for entrepreneurs, both locally and internationally.

An enabling environment

In many developing countries growth of enterprises is impeded by obstructive policies and a lack of supporting infrastructure and regulations. In particular, ambiguities in the legal status of enterprises, weak implementation of the rule of law, and unclear bureaucratic processes along with corruption impede the registration of an enterprise and its quest for growth. In Laos, Venezuela, Congo, and Haiti,

for example, it takes more than 100 days to register a formal business. In Zimbabwe, Gambia, and Guinea-Bissau it costs 200% of per capita income to do this.²⁷

Therefore, activities to support enterprise development can also consider supporting the enabling environment such as instituting bankruptcy laws, adopting clear accounting standards, developing a legal system that can help settle contract disputes and clarifying land titles. Some philanthropists, such as the Brenthurst Foundation, have already begun to work with countries to design laws that support small businesses in the formal sector.²⁸

The Aspen Network of Development Entrepreneurs (ANDE) was founded in 2009; it is a global network of organizations that invest money and expertise to propel entrepreneurship in emerging markets. ANDE aims to educate investors, policymakers, and facilitators to increase the effectiveness of capital and technical assistance for entrepreneurs in developing countries and so leverage its social and environmental impact.²⁹

Scaling up business models through franchising

Lack of innovative business ideas, entrepreneurship, and creativity limits the business potential in poor communities. Recently innovators have started to experiment with implementing franchise models to scale innovative businesses that were successful elsewhere. Franchising allows the franchisee, who might be a great manager, but lacks innovative business ideas, to apply a proven business concept, a brand name and specific training and mentoring. This significantly reduces the risk of failure. For micro and small enterprises, this concept is also known as microfranchising. Microfranchises are independently owned and operated, thus creating income for owners and their employees, while utilizing the replication to scale.³⁰ VisionSpring is an example of a successful microfranchise model.

VisionSpring

VisionSpring empowers local entrepreneurs to launch their own businesses selling eyeglasses, a basic, low-cost health product that allows people to work and support their families in their communities.

Each "Vision Entrepreneur" receives his or her own Business in a Bag, a sales kit containing all the products and materials needed to market and sell eyeglasses. Vision Entrepreneurs undergo a three-day training in basic eye care and business management and receive close, ongoing support from staff.

Entrepreneurs get a loan from VisionSpring to pay for the Business in a Bag. Once eyeglasses have been sold and enough profit is made, entrepreneurs repay the loan. It is an affordable concept for Indian villagers, yet yields a decent profit for the company, intermediaries, and rural vendors. Hence the scheme is viable, and can be scaled up to cover thousands of vendors and millions of customers across developing countries.

Reference: www.visionspring.org

Key Points

There is a global trend towards bottom-up and entrepreneurial solutions to development challenges.

Micro, small, and medium-sized enterprises are the drivers of economic growth in emerging economies.

In developing countries there is a potential for social enterprises that come up with innovative products and services, which provide solutions to the development challenge and can be implemented on a larger scale.

Although enterprises have huge potential in emerging economies, they face severe obstacles in realizing this potential. SMEs and entrepreneurship in a developing country need improved access to capital and business knowledge and an enabling environment to grow and thrive.

The private sector and strategic philanthropists are emerging as new players who have the potential to advance entrepreneurial thinking in development and help overcome barriers to enterprise development.

²⁴ See note 22.

²⁵ Newberry, D. (2006): The Role of Small- and Medium-Sized Enterprises in the Futures of Emerging Economies.

²⁶ De Lorenzo, M. and Shah, a. (2007): Entrepreneurial Philanthropy in the Developing World. AEI Online.

²⁷ The World Bank, IFC and Palgrave MacMillan (2009): Doing Business 2010.

²⁸ Kauffman, C. (2004): Financing SMEs in Africa.

²⁹ ANDE website: www.aspeninstitute.org/policy-work/aspen-networkdevelopment-entrepreneurs

³⁰ Fairborne, J. (2007): Microfranchising, creating wealth at the bottom of the pyramid.

Case study 2

Jeff Skoll, US

Driving social change through the Skoll Foundation²

Jeff Skoll is somebody who always saw acquiring wealth as a means to achieving social change. Despite being the first employee and President of eBay, responsible for developing and implementing its first business, Skoll insists "I never really expected to have a ton of money. As it happened, eBay kind of worked out."

At a young age, Skoll's father was diagnosed with cancer, which changed Skoll's perspective on life.

His father was not afraid of dying but of dying before having achieved what he wanted in life. Skoll decided to commit his life to telling stories that raise awareness about global social inequalities.

As his computer rental business was suffering from some operational setbacks at the time, he decided to apply to Stanford Business School. There Skoll met Pierre Omidyar, who came up with the idea for eBay and asked Skoll to develop and implement the business plan. Everything Skoll had learned so far told him eBay would never work. However, much of the experience from eBay resonated with Skoll's belief that entrepreneurs can impact big social problems.

eBay's exponential growth was unexpected. Skoll handled eBay's public offering and continues to be the second largest shareholder. Now, as a successful business entrepreneur, Skoll has used his wealth to make a difference. Keeping his mentor John Gardner's advice to "bet on good people doing good things," he founded the Skoll Foundation ten years ago as a platform "to drive large-scale change by investing in, connecting, and celebrating social entrepreneurs and other innovators dedicated to solving the world's most pressing problems."

Skoll sees social entrepreneurship as a way to "get to that half of humanity (that lives on less than 1 dollar a day) that isn't attractive to traditional big business and bring them up the ladder."

The Skoll Foundation is now the world's leading foundation for social entrepreneurship. By identifying the people and programs already bringing positive change around the world, the Skoll Foundation empowers them to extend their reach, deepen their impact, and fundamentally improve society.

Its flagship program, the Skoll Awards for Social Entrepreneurship, currently honors and supports 81 leading social entrepreneurs representing 66 organizations from around the world. These three-year awards support the continuation, replication, or extension of programs that have proved successful in addressing a broad array of critical social change areas: tolerance and human rights, health, environmental sustainability, institutional responsibility, peace and security, and economic and social equity.

Skoll and the Said Business School also jointly established the Skoll Centre for Social Entrepreneurship at the University of Oxford. The Centre is a leading academic entity for the advancement of social entrepreneurship worldwide, fostering innovative social transformation through education, research, and collaboration.

More recently, Skoll founded Participant Media as a way to use the power of mass media to promote public awareness of and engagement in major social challenges. Participant Media is the only global media company focused solely on the public interest, with a mission to develop entertainment that inspires and compels social change.

Jeff Skoll's view on the opportunities ahead

"One of the things we have learned at the Skoll Foundation over the past 10 years is that innovative ideas do not exist in a vacuum. Every one of our social entrepreneurs operates in an ecosystem, many with entrenched interests that resist change. We see an opportunity to increase our impact by investing in or mobilizing other actors in an issue ecosystem to shift behavior, influence policy, or address infrastructure

problems that are barriers to our social entrepreneurs' innovations and to social change."

Jeff Skoll's tips for philanthropists who would like to support social entrepreneurship in emerging markets

"First of all, appreciate that sustainability and long-term economic development are inextricably linked, and social entrepreneurs in the developing world are on the forefront of opportunities to take advantage of new technologies and apply them to market needs. Furthermore, they have the potential to leapfrog unsustainable, but established, solutions in the developed world. My investment portfolio's unique "principled investing" strategy demonstrates that investment returns can be enhanced by purposefully incorporating ethical, social, and environmental considerations into the investment process. My interest lies in investment opportunities not only in sustainable enterprises, but also in select organizations whose business strategies intersect with major social challenges and unfulfilled needs.

Second, consider co-investing in tried solutions, such as the vetted social entrepreneurs from our portfolios. The Foundation has a unique capital model that leverages its endowment principal in addition to its annual operating payout for the benefit of mission-driven organizations using a combination of grants, debt, and equity instruments.

Finally, in emerging markets, consider that the geopolitical stability required for social entrepreneurs to thrive also requires strong government and an active and engaged civil society. Ensuring that all these sectors work more effectively together is in everyone's enlightened best interest. No one is better poised to make these investments than philanthropists like us."

“Philanthropy is all about making a positive difference in the world by devoting your resources and your time to causes you believe in. In my case, I like to support causes where ‘a lot of good comes from a little bit of good,’ or, in other words, where the positive social returns vastly exceed the amount of time and money invested.”

² References: Encyclopedia of World Biographies, Skoll Foundation, TED Talks

The role of philanthropists in creating viable enterprises

The objectives of strategic philanthropists match very well with the need to unlock entrepreneurial potential in developing countries.

Philanthropists are in a unique position to advance innovative solutions to development challenges through supporting business models with positive social impacts. Philanthropists can leverage their experience, skills, capital, and personal relationships to support enterprises to become more viable and visible (thus opening doors to a greater market) and to attract other investors.

The specific roles that strategic philanthropy can play in creating viable enterprises in developing countries include:

- Providing access to affordable capital
- Bringing business knowledge, experience and technical assistance
- Engaging marginalized groups, such as women and young people, in entrepreneurial opportunities

Venture philanthropy

Traditionally two approaches to providing funds to initiatives have been distinguished. The traditional philanthropy model aims to achieve social or environmental impact by providing donor funds as needed, but is not focused on a financial return. In the other model, traditional venture capital aims to maximize financial return and is not necessarily focused on creating social or environmental impact.

In strategic philanthropy, capital is increasingly being invested to generate both financial returns and social or environmental returns. This approach is also known as **venture philanthropy** (also known as impact investing or high engagement philanthropy), which brings the two approaches together, aiming for a high social and/or environmental impact, while creating a financial return. This financial return may sometimes be lower than would be expected in venture capital (see figure 1).

Venture philanthropy can be a good solution for providing enterprises with access to affordable capital where the expected financial return is too low to qualify for venture capital funds or other financial institutions (i.e. with return rates below 20%), but are not eligible for traditional philanthropy due to their business focus.

This makes venture philanthropy a promising tool in supporting viable enterprises in developing countries. Recently venture philanthropy models specifically focused on developing countries have been attracting money from wealthy individuals who are keen to complement existing philanthropic work in these parts of the world with a more business-like approach.³¹

Noteworthy in this regard are “business angels” or “angel investors,” affluent individuals who provide capital and support for business startups, usually in exchange for shares of the company and a market rate of financial returns.

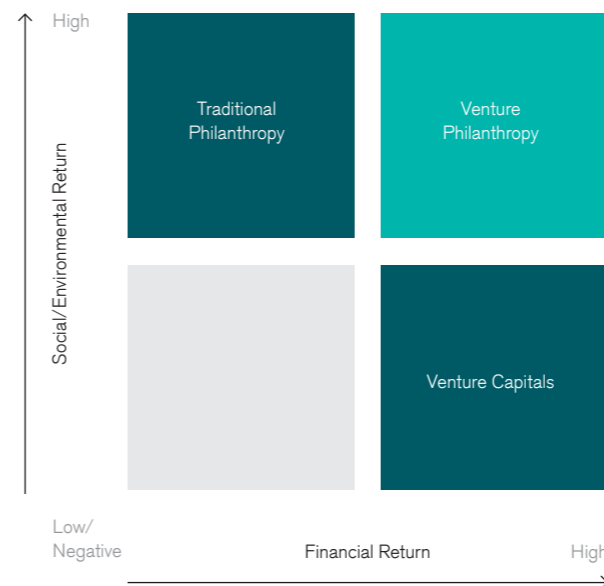
A small but increasing number of angel investors organize themselves into **angel networks** to focus on providing capital for growth in emerging markets and sharing due diligence research and pooling their investment capital.

³¹ Economist Intelligence Unit (2010): The new world of wealth: Seven key trends for investing, giving and spending among the very rich. London, New York, Hong Kong.

Business angels and venture philanthropists are growing closer together since business angels are increasingly expecting below-market rates of return when investing in emerging market enterprises. The interest of a business angel lies however with growth and not necessarily with social or environmental returns.

Investing in enterprises in emerging markets through venture philanthropy is not easy and is time and labor intensive. First, there is the challenge of identifying accountable, high-potential entrepreneurs or enterprises. Native wealthy individuals have a great advantage here, being able to relate to local needs and culture and being able to more easily identify local highpotential entrepreneurs. Secondly, there needs to be a strategic fit between ideas and values of investees and the specific principles and investment focus of the philanthropists. Thirdly, entrepreneurs in emerging economies often have limited access to business knowledge and experience, as described before. Needless to say, there are key principles to keep in mind while making venture philanthropy investments and building capacity to create viable enterprises in developing countries. However, venture philanthropy has a proven track record of nurturing profitable businesses, with measurable effects on poverty reduction and other social and environmental challenges.

Figure 1.³



³ CSR Asia

Venture philanthropists aim to improve local markets and not distort them.

A win-win situation

While going beyond traditional philanthropy calls for a significant investment on the part of the philanthropist, it is a win-win situation as engaged philanthropists get the opportunity to increase their understanding of the new venture and can ensure that their investments are spent efficiently. It also benefits relationships with entrepreneurs in terms of enhanced trust, honesty, confidence, and collaboration.³² Moreover, many wealthy individuals have themselves been extremely successful entrepreneurs, and are able to bring an enormous amount of experience, contacts, and a name that provides confidence.

Considering the significant investment necessary to help social enterprises go after growth and scale, philanthropists may consider focusing on a smaller number of larger investments based on long-term partnerships. Focusing philanthropic activities on a small number of investees and entering strategic long-term relationships with them does not only contribute to the ability of enterprises to make sustainable and scalable impact, it also serves the goal of better accountability and greater impact.

In such a close relationship between the investor and the investee, the fine line between assisting and intervening needs to be considered. Philanthropists should respect that although business experience and financial knowledge are often limited in developing countries, the entrepreneur has valuable local knowledge and networks. It is essential to value this knowledge and support local ownership.

³² Centre for Effective Philanthropy website: www.effectivephilanthropy.org

Key principles to keep in mind while making venture philanthropist investments⁴

The investee is always an enterprise or an organization instead of the traditional focus of a donation, which usually is a project or a program.

Investees are organizations with high growth potential or a proven growth rate. The venture philanthropist seeks to maximize social and/or environmental returns, instead of maximizing financial returns.

Before making a financial commitment, venture philanthropists take time to get to know and understand the potential investee. Ultimately this takes place locally to really understand and evaluate the organization's business and financing model, its market and competition, sales strategy, marketing, and public relations and the quality of management.

Financial investment is supplemented with management support and capacity building. Venture philanthropists or their employees often have a seat on the organization's board or act as mentors to the entrepreneurs.

Financing models are chosen to suit the organization and its ambitions. Venture philanthropy funds currently experiment with different models that best suit the environment of enterprises in developing countries.

A longer-term commitment of usually three to seven years is common to allow the organization to fulfill its ambitions of growth and maturity. At the beginning of the investment period, the appropriate exit scheme is already taken into account, planned for, and agreed upon by both parties.

Ongoing monitoring and performance measurement is important. The venture philanthropist will be engaged in all stages of growth and wants to stay up to date of progress.

Whatever the finance model applied, philanthropists need to consider exit strategies well in advance. With the aim being to build sustainable enterprises it is important to help entrepreneurs develop strategies to sustain their impact upon conclusion of an (initial) investment. This involves helping diversify funding sources, reducing reliance on small number of funders, and ideally developing a self-sustaining revenue source outside the typical fundraiser concepts. Philanthropists helping to set up a social enterprise should be aware that it can take several years for these businesses to produce sustainable programs that can expand or grow after the initial involvement.³³

Providing access to affordable capital

Venture philanthropy experiments with different financing models to find solutions that best suit the environment of enterprises in developing countries. To do this they apply grants, unsecured debt and equity investments or combinations thereof. The capital that flows back to the source, due to repayment of debt or via dividends and buyouts, provides for a new lifecycle of the capital and is invested in other companies. This is a key point to consider for venture philanthropists who seek to provide direct access to affordable capital: it is through experimental solutions that venture philanthropists can make a difference in unlocking entrepreneurial potential.

Grant financing is anything of value (money, property, services) that is transferred to an organization without conferring any ownership rights on the investor, i.e. without the expectation that it will be paid back. Grant financing can be appropriate when start-up money is needed to develop market entry strategies or initial product development.

It should be noted that grants are not suitable for self-sustaining or profitable businesses. Venture philanthropists aim to improve local markets and not distort them. It is vital that the selected type of finance neither creates any false dependencies nor distorts local market. There is evidence of subsidized players "crowding out" long-established local businesses. There are also many examples of subsidized businesses collapsing once the finance is withdrawn. The microfinance industry is now coping with the challenging task of disentanglement from mass-subsidization.³⁴

Debt financing is the transfer of assets to the investee, with expected repayment, in most cases, plus interest. Debt is a straightforward financing model and entrepreneurs know what is expected from them. In the developing country context, debt financing often involves an unsecured loan, due to lack of collateral. This means that the debt provider is not able to claim the assets of borrowers if they are unable to repay the debt. Pitfalls of commercial debt financing, however, are the associated interest rates, the need for the borrower to have a track record or collateral, and the fact that usually the finance is needed in the beginning for market or product development and cannot be used to pay interest. Therefore, venture philanthropists often provide loans at a lower interest rate or have other more flexible repayment terms.

Equity financing is an investment in a company in return for ownership (shares) of the company. The investor is entitled to a share in profits. The advantage is that equity needs no collateral and no interest. Equity financing can be appropriate when the entrepreneur has a sound business strategy, needs cash to pay for initial equipment, product development or market development and is willing to give up a share of the company. Pitfalls are the high return requirements; due to the high risks and the time it takes for an investment to become profitable. Venture philanthropists often require lower financial returns on investment than commercial venture capitalists.³⁵ Omidyar Network's investment in d.light shows how such an investment can enable a company to thrive.

Not all philanthropy foundations are structured so that they can gain ownership in a company. Experimental solutions are being found, for example in forms that allow equity purchase, where the profits are not paid in dividends and instead are invested back into the community. Likewise not all social enterprises are structured as companies. Here, funds may provide specific types of unsecured loans to social enterprises, where otherwise equity investment would be more appropriate.

d.light

One in four people in the world do not have electricity d.light provides high quality solar solutions for families living at the bottom of the pyramid. The best design principles are applied to meet the needs of households without access to reliable electricity. The lights are sold and distributed by local entrepreneurs, who obtain them from d.light with a small loan. The loan is repaid when the lights are sold.

d.light's target is to have improved the lives of 100 million people by the end of 2020. The company is active in Africa and India and sell the world's cheapest solar lighting solutions.

In June 2010 it secured an investment of 5.5 million dollars from the Omidyar Network. This investment enables d.light to scale rapidly and benefit from the knowledge and experience from the board member that Omidyar Network provides.

Reference: www.dlightdesign.com

Small businesses and social enterprises require most assistance during the "incubation" period of their development.

⁴ AVPN Website

³³ Tranquada, W. and Peppin, J. (2005): Good Results Will Be Addictive. High Engagement Giving/Venture Philanthropy: Future Trends.

³⁴ Sanders, T. & Wegener, C. (2006): Meso-finance filling the financial service gap for small businesses in developing countries.

³⁵ De Witte, N. (2009): How to survive an equity investment. www.bidnetwork.org/page/90675/en

Examples of experimental solutions for providing access to capital:

- Root Capital has found an interesting solution for farming cooperatives. It accepts future sales contracts from big buyers such as Starbucks as [loan collateral](#). The farming cooperative uses the loans to pay the coffee bean producers immediately, when they deliver their harvest. When the buyers receive their coffee bean order, they repay the loan directly to Root Capital. The interest they pay, allows Root Capital to cover its operating costs, giving the cooperative technical support and growing their capital to borrow even more. This solution enables the cooperatives to pay the farmers and ensures that the buyers have more stable supplies.³⁶
- Acumen Fund uses a financing model it describes as [patient capital](#). Patient capital is a debt or equity investment in an early-stage enterprise, based on flexible terms. Usually the investment ranges from 300'000 to 2'500'000 dollars with payback or exit in roughly five to seven years. The patient capital Acumen provides is accompanied by a wide range of management support services nurturing the company to scale.
- [Royalty-based finance](#) is a combination of equity and debt financing. A small part of the required capital is invested as share capital, with the agreement that the entrepreneur has the option to buy back the shares at any given moment for an agreed increase in value. The rest of the money becomes available in the form of a loan with a “soft” interest rate. The investor and the entrepreneur agree on the terms of repayment of this loan. Furthermore the entrepreneur pays the investor a small royalty over the profits, usually between 0.5 and 2%. The royalty payments continue until all the loans are repaid and the shares are bought back. The advantage of this solution for the investor is that the risk is spread and an exit is simpler to organize. For entrepreneurs it is easier to regain 100% ownership of the company and they are urged to repay the loan and buy back the shares, because this will be cheaper than continuing to pay royalties.³⁷

Venture philanthropy funds

Philanthropists may provide capital to enterprises in developing countries directly, or alternatively, they can invest in venture philanthropy funds. These funds serve as intermediaries that channel financial resources from the philanthropist to selected enterprises. The funds simultaneously provide advisory and capacity building services to the entrepreneurs.

There is a growing number of venture philanthropy funds focused specifically on stimulating growth in developing countries. Various funds apply different strategies and approaches. Here we include a number of examples to highlight some different approaches; please refer to the resources provided to find further examples.

- [Acumen Fund](#) is a New York-based non-profit venture philanthropy fund, founded by Jacqueline Novogratz, and is one of the most well-known funds in this field. The fund's aim is to jump-start the creation of enterprises providing low-income consumers with access to healthcare, water, housing, alternative energy, or agricultural inputs in East Africa, India, and Pakistan. With over 35 enterprises ranging from drip-irrigation companies in India and Pakistan, a major manufacturer of malaria-preventing bed nets in Tanzania and women's hospitals and ambulance services in India, Acumen's 40 million dollars portfolio has created more than 22,000 jobs and has had a positive impact on more than 30 million people in developing countries.
- [Aavishkaar](#) is the world's first Micro Venture Capital Fund, providing growth opportunities for micro and small enterprises in India. The fund's mission is based on the premise that promising micro, small to medium-sized enterprises will help drive positive changes in the underserved regions of the country. The Aavishkaar vision is born of a belief in the inherent creativity and ability of rural and semi-urban Indians to innovate and provide unique solutions for their situation. Aavishkaar seeks to nurture and initiate creative thought processes at the grassroots level and convert them into thriving enterprises. Investments range from between 50'000 and 500'000 dollars, with key

investment criteria being scalability and the potential to make strong positive social impact on rural or semi-urban India. To date, Aavishkaar has made 16 investments across industries, which include renewable energy, waste management, information and communications technology, agro-based technology, handicrafts, healthcare, and rural innovations.

- [E+Co](#) is an innovative fund, focused solely on providing capital for enterprises that provide access to clean energy. There is a demand for clean and affordable energy in developing countries and this demand can be satisfied by local entrepreneurs. E+Co makes debt and equity investments, ranging from approximately 25'000 to 1'000'000 dollars. Through carbon monetization, E+Co has developed a new and innovative way to provide financing to clean energy businesses. E+Co not only invests capital but also the tools and business know-how to make clean energy businesses successful. Since its start in 1995, E+Co's investments helped to provide access to clean energy for 6.2 million people, through 1200 entrepreneurs. Lamjung Electricity Development Company (LEDCO), a Nepalese community-based organization, is one of the examples of E+Co's investments. It is a business that produces and supplies hydroelectric power to local residents and sells excess to the public electricity company.
- [Root Capital](#) has received praise because of its innovative model linking small farmers to big buyers and global markets. The fund provides capital, financial education, and market connections to small and growing businesses that build sustainable livelihoods and transform rural communities in poor, environmentally vulnerable places. Coffee and cocoa from Latin America, nuts from Africa, and cotton from India are current examples.

Bringing business knowledge, experience, and technical assistance

As described earlier, lack of business know-how is the biggest factor affecting SME development. To ensure maximum impact of investment in entrepreneurs and enterprises, philanthropists need to support them with non-financial assistance, tailored to the needs of the entrepreneur. High-engagement involvement gives the opportunity to provide the investee with the internal resources needed to drive their growth. This requires [leveraging their own business and investing skills](#) to drive entrepreneurs to go after scale and growth.

Small businesses and social enterprises require most assistance during the “incubation” period of their development. Assistance during the development and planning phases, to create clear strategies and business plans, can be crucial in creating viable enterprises with a greater likelihood of success in emerging market economies.³⁸ For this reason, philanthropists may choose to focus a great deal of attention on “front-end” non-financial support from the initial idea to the point where the enterprise is ready for investment. Organizations like the New Ventures program of the World Resources Institute and Amsterdam-based BiD Network have stepped into this gap and have developed ways to boost business knowledge, while simultaneously building a valuable pipeline for investors to link these entrepreneurs with global investor networks.

Some venture philanthropy funds have introduced stages to be able to deliver support on business knowledge. The first stage is the “early-stage” during which enterprises receive full support on business plans and (pre)feasibility studies. During the second stage or ‘later-stage,’ enterprises receive multi-year financing and capacity-building assistance. Not all enterprises in the “early-stage” will automatically make it to the “later-stage”. NESsT is an example of this.³⁹ Philanthropists investing in social enterprises need to be prepared for potentially longer incubation periods. Serving the dual objective of economic and social goals makes achieving financial sustainability more challenging. Providing targeted capacity-building and applying rigorous business appraisals sensitive to both sets of objectives is crucial in creating self-sustaining social enterprises⁴⁰.

³⁶ Boss, S. (2009): Root Solutions. Stanford Social Innovation Review.

³⁷ De Witte, N. (2009): Royalty based finance. www.bidnetwork.org/page/109632/en

³⁸ Etchart, N. and Davis, L. (2002): Profits for non-profits? The prospects for venture philanthropy in the developing world. @lliance magazine, June 2002.

³⁹ Nonprofit Enterprise and Self-sustainability Team (NESsT) website: www.nesst.org/venture_our_portfolio.asp

⁴⁰ Making Cents International (2008): Youth Microenterprise and Livelihoods: State of the Field.

Philanthropy's New Frontier

Interview by Paul Melly,
writer on development issues

Recent years have seen the emergence of vehicles designed to act as a conduit for donors who do not wish to set up and manage institutions of their own.

One such is the New York-based Acumen Fund. CEO Jacqueline Novogratz explains how it works.

How did Acumen Fund come to be set up?

"In the late 1990s, the communications revolution was making it possible to connect with people across the globe; a proliferation of wealthy individuals was creating a new kind of philanthropist interested in results, involvement, and accountability, and more social entrepreneurs were addressing tough problems with business approaches.

I was at the Rockefeller Foundation and interested in the next frontier of philanthropy, believing it would model the 'new economy' in some ways.

I, along with a small group of committed philanthropists, sought to develop a model using venture capital techniques to tackle global poverty. Acumen Fund helped create a new niche by insisting on greater flexibility: raising grants, but investing only equity and loans in both for-profit and non-profit organizations and insisting on accountability for results."

How did you come to settle on using this approach in particular?

"We focus solely on equity investments and loans because these provide clarity for both investor and investee, creating a partnership rather than a top-down relationship. Our 'patient capital' — invested, long-term, at below-market rates and complemented with management assistance — helps investees prepare to graduate to more traditional forms of capital that can help move them toward scale and sustainability."

How does Acumen assess potential candidates for its support?

"Enterprises must fit within our portfolio guidelines, providing health, housing, water, or energy solutions to low-income consumers in Pakistan, India, or East or South Africa. We look for strong leadership, an operational track record and an established business model, assessing each for financial sustainability, social impact, scale, and cost-effectiveness."

How have you attracted partners to join in the funding?

"We have a community of investors committed to finding market-based solutions to global poverty, who have embraced private sector principles as part of their philanthropic engagement. Many act as advisors to our team or mentor our 'Fellows' adding their own talents to our work."

You have options for quite modest contributions (for example 10'000 dollars). Are there many people who are comfortable but not rich, who would like to make a social contribution?

"I don't believe a 10'000 dollar gift is modest; it is extremely generous, and unusual in the philanthropic sector! We hope to contribute to building a movement that will enable people

to give in different ways, including financially, and at different levels, depending on their wealth and abilities. We started Acumen Fund with founding partners — the Rockefeller, Cisco, and Kellogg Foundations and some individuals, each pledging 100'000 dollars. We then expanded upwards and downwards: we have partners who commit 5 million dollars, and partners who commit 10'000 dollars. We also have friends who send us anything from 20 dollars upwards. We feel lucky that so many people support our mission, and we value individuals regardless of the level at which they give."

The founder and CEO of Acumen Fund, previously established the Rockefeller Foundation's Philanthropy Workshop and Next Generation Leadership programs. She also founded Duterimbere, a microfinance institution in Rwanda. She began her career in international banking with Chase Manhattan.

BiD Network Foundation; The Netherlands

Amsterdam-based BiD Network Foundation serves an online community for SMEs in developing countries, preparing them for investors. BiD Network's goal is to mobilize finance for SMEs, in order to create jobs, boost income levels, and deliver optimal investment returns. Over the last five years BiD Network has helped to start around 300 SMEs in emerging markets, creating about 2,500 direct jobs. BiD Network does this by making intelligent use of the benefits of the internet and by partnering with local organizations in 11 countries. One of their key performance indicators is the cost of creating a new job, which has been as low as 1'800 euros per job per year.

Entrepreneurs submit their business idea online and are guided through the process of formulating a business plan. The BiD Network team assesses the full business plan by making use of an online assessment system, which gives the entrepreneurs detailed feedback. Throughout the process entrepreneurs are offered online coaching and training. Once the entrepreneurs and their business plans show enough quality to make it through the complete evaluation process, the investor matchmaking services actively connect the best entrepreneurs to BiD Network's network of over 100 investors. This way BiD Network is a large deal flow provider for venture philanthropists and business angels.

BiD Network operates specific business plan competitions to source innovative business plan proposals from starting and established enterprises. These competitions can also focus on specific sectors or target groups, for example on women entrepreneurs, farmers in business, nature, and access to clean energy. Each year, BiD Network organizes an Investment Market Place. The best enterprises from within the network and the finalists of the various challenges are invited to the Netherlands for a week. During this week, the entrepreneurs receive training, have meetings with potential investors, and visit Dutch enterprises to learn. The week is concluded by a big event, where SMEs and funders can meet and the winners of the competitions are announced.

Reference: www.bidnetwork.org

Forms of non-financial assistance

- 01 General management advice
- 02 Strategic planning advice
- 03 Financial planning/accounting
- 04 Development of performance measures
- 05 Encouraged/facilitated collaborations
- 06 Insight and advice on the field
- 07 Introductions to leaders in the field
- 08 Research or best practices
- 09 Seminars/forums/meetings
- 10 Board development/governance assistance, information technology assistance
- 11 Communications/marketing/publicity assistance
- 12 Use of foundation facilities
- 13 Staff/management training

Source: Center for Effective Philanthropy

Engaging marginalized groups, such as young people and women, in entrepreneurial opportunities

Different groups in society face unique barriers of access to economic inclusion. Youth and women are two examples of groups that can provide unexpected opportunities and results from economic inclusion.

Youth — Young entrepreneurs have great potential for the development of emerging markets. Of the world's 1.5 billion people who are between 12 and 24 years old, 1.3 billion of them live in developing countries. It is crucial to meet the needs of these young people to achieve poverty reduction, and to contribute to economic and social development. Currently young people in developing countries face a number of challenges to growing into successful entrepreneurs. Illnesses, such as HIV/AIDS, have decimated the knowledge and skills base in many communities. This leaves young entrepreneurs without traditional mentorship and apprenticeship opportunities. Similarly conflict and war are disrupting formal and traditional learning systems, and are causing high numbers of youth-headed households and orphaned children. In urban areas, youth who have grown up as homeless children often resort to illegal entrepreneurial activities, such as drug trading, theft, and violent crime. Young women, with few economic alternatives, are vulnerable to sexual exploitation, human trafficking, and early pregnancy.

Currently youth unemployment is on the rise. Young people currently make up 25% of the working population worldwide, but represent 47% of the unemployed. Young entrepreneurs have great potential and it is important to include those whose family background and upbringing have required them to contribute to family income rather than attend school. According to the ILO (2004), halving the current global youth unemployment rate could substantially boost growth in developing economies. The largest relative gain from reducing youth unemployment would be in Sub-Saharan Africa, where GDP would increase by 12 to 19%. Therefore young people all over the world serve as valuable resources worth investing in and including in the economy.

Women — Providing opportunities for women through economic empowerment accrues great social benefits. Empowering women can serve as an effective mechanism for breaking the cycle of discrimination, violence, and vulnerability that many women in developing countries face. Furthermore, improved access to management and entrepreneurial skills can have a great effect on per capita income in developing countries. Microfinance models that specifically target women are often particularly successful, as repayment rates are high and more money tends to be invested in the family, increasing its socioeconomic status.

Women in emerging markets are often involved in agricultural production but are excluded from leadership and management opportunities. Strengthening the role and business acumen of women in rural producer organizations improves their access to markets and knowledge. Supporting female entrepreneurship, especially in rural areas through improved access to property, economic assets, knowledge, and agricultural inputs are important strategies to ensuring sustainable economic and social mobility for women in emerging markets⁴¹.

Innovative enterprise solutions to engage marginalized groups in enterprise development in emerging markets are becoming popular amongst traditional social purpose organizations as well as new players, like the private sector and philanthropists. ExxonMobil, for example, has made a commitment to invest in the expansion of high impact, sustainable technologies that advance women economically in the developing world.⁴²

Many philanthropists such as Ann Cotton, founder of Campaign for Female Education (CAMFED), focus on empowering women by ensuring they complete their education, which increases their knowledge and ability to pursue income-earning opportunities. Cotton found that in sub-Saharan Africa, young women and girls are often taken out of school as they are needed to raise income for the family, perpetuating a cycle of subsistence.⁴³

Philanthropists are encouraged to focus their efforts and investments on enterprises that include young people and women in their value chain, such as Rags2Riches, or to get involved with organizations that build business knowledge and entrepreneurial capacity among these groups (see next section on Philanthropy and entrepreneurial education). Lastly they can ensure that organizations they support have at least one-third women in their memberships or on their boards to develop the skills they need to lead.⁴⁴

How to identify enterprises with growth opportunities

The identification of a prospective investee — high potential and trustworthy entrepreneurs — can be a big challenge for philanthropists. It is important to have a clear and exact idea of the enterprises they wish to invest in and should develop a list of clear selection criteria and be rigorous in its application (see Ashoka's criteria as a reference).

In many cases philanthropists need to trust their subjective judgement in identifying ideas that have potential for systemic change and entrepreneurs capable and committed to implementing these ideas. With an increasing number of philanthropists being interested in fostering enterprises in emerging economies, networks bringing together like-minded investors and helping them to spot high-potential growth enterprises are growing as well. Such networks include Ashoka, Endeavor, and BiD Network. WISE is not a network, but an organization that supports wealthy families with developing their funding strategies specifically to support social enterprises, also in emerging economies. Such organizations typically help philanthropists seeking to invest in enterprises in developing countries with due diligence, monitoring business progress, and assessing the impact of the investment. In developing country environments without established legal structures and risk profiles, being able to depend on partners to identify trustworthy enterprises is very important.

⁴¹ ExxonMobil.

⁴² Social Edge: www.socialedge.org/blogs/global-x/archive/2007/07/03/anncotton.

⁴³ UN Department of Economic and Social Affairs (UNDESA), 2010.

⁴⁴ Ibid.

Rags2Riches

Rags2Riches is a social enterprise in the Philippines that sells fashion bags, created by designer Rajo Laurel, and high-end rugs woven from discarded scrap materials. Rags2Riches (R2R) thus provides poor women living on waste dumps with the business support they need to sell fashionable products from scrapped cloth. In addition to taking care of supply chain management, product development, design, marketing and sales, R2R also offers modules on ethics, financial literacy, and business management for poor women. R2R's target markets are upscale foreign customers and their products are sold at bazaars at luxury hotels and through exclusive outlets. Demand has outpaced supply; causing R2R to streamline their production system and foster more partnerships with scrap cloth suppliers. Over the next five years, R2R has the potential to directly improve the sustainable quality of life of at least 5000 women from poor communities by allowing them to increase their annual per capita income by 280 dollars.

Reference: rags2riches.ph

Ashoka's selection criteria

The Knockout Test: A New Idea — Ashoka is looking for individuals "possessed" by an innovative idea with real potential to change the pattern in a field.

Creativity — The entrepreneur needs to be visionary, a problem solver, and have a history of creating other new visions.

Entrepreneurial Quality — A strong devotion to make change and innovation happen and a willingness to spend the next 10 to 15 years making a historical development take place.

Social Impact of the Idea — The idea itself will significantly change the field and trigger broad, systemic change at a national or regional level.

Ethical Fiber — The social entrepreneur has to be trusted, and if there is any doubt that the candidate is not trusted, they will not pass the selection process.

Reference: www.ashoka.org

Venture philanthropists increasingly organize themselves in local Venture Philanthropy Networks (such as the Asian Venture Philanthropy Network and the Business Angel Network South East Asia). This allows them to share research and experience, tap each other's network, and pool their investment capital to share risk and better manage their investment portfolio

Business plan competitions and entrepreneurship challenges can play a crucial role creating a greater visibility to promising entrepreneurs. Philanthropists can use these competitions to identify high-growth, high-impact, trustworthy entrepreneurs or simply those that fit their criteria of entrepreneurs bringing about change in a desired area.

The number of competitions and challenges has grown enormously over the last few years, including the Skoll Awards, Schwab Foundation, and Ashoka. They aim to select entrepreneurs with promising business visions and have gained much attention. Other business plan competitions aim to attract new (not previously involved) entrepreneurs to be able to further support them. BiD Network has developed specific "Sector Challenges" focused on one specific region, sector, or target group (for example women and farmers) to source specific enterprises.

At the same time, entrepreneurship competitions play a significant role in inspiring local communities with entrepreneurship. It is beneficial to roll out these concepts to regions which are currently underserved by entrepreneurship promotion programs and philanthropists are encouraged to support such initiatives. New business plan competitions and entrepreneurship challenges can make a difference by awarding the most promising individuals and/or ideas in that area with prize money or startup capital and use the winner as an inspiring example. They can also use these models to provide tools and capacities to improve other contestants and give the entrepreneurs networking opportunities and access to markets.

WISE, Switzerland

WISE - Wealthy Individuals, Social Entrepreneurs - was launched in 2004 by Maurice Machenbaum and Etienne Eichenberger. WISE links philanthropists to social entrepreneurs. WISE aims to create new development opportunities by connecting people wishing to invest their personal finance resources in the field of social enterprise. WISE works independently of from banks and financial institutions and services are specifically tailored to the needs of the individual donor. They cooperate with other networks to identify potential and trustworthy enterprises. Donors are encouraged to do field visits of potential investees. WISE aims to work with "new" philanthropists, aged between 25 to 35.

The social entrepreneurs benefit from WISE as they receive up to five years of financial support through their clients. WISE provides skills and non-financial services.

Reference: www.wise.net



Key points

You are in a unique position to unlock entrepreneurial potential and advance innovative solutions to development challenges by leveraging your experience, skills, capital, and personal relationships to support enterprises to become more viable, visible, and attractive to other investors.

Support can be aimed at providing access to affordable capital, bringing business knowledge and experience, and engaging marginalized groups in entrepreneurial opportunities.

Venture philanthropy is a promising tool in supporting enterprise solutions to development challenges while generating both financial returns and social or environmental returns. Venture philanthropy investments have a proven track record of nurturing profitable businesses, with measurable effects on poverty reduction and other social and environmental challenges.

Seven key principles to keep in mind while making venture philanthropist investments are given on page 24.

To provide access to capital and non-financial assistance:

- Tailor your investment to the different development stages of an enterprise
 - Consider various forms of financial models and innovative combinations
 - Consider the various forms of non-financial assistance and bring in your own expertise, business know-how, and networks
 - For greater impact of your invested time and money, consider high engagement over a number of years with fixed milestones
 - Plan exit strategies well in advance
 - Value local knowledge and support local ownership
-

There are a number of valuable networks, organizations and business plan/entrepreneurship challenges that can help you to identify prospective investees. To identify enterprises:

- Prepare a rigorous selection process based on clearly defined criteria looking at the entrepreneur, the idea, and the match with your own vision and potential contributions
 - Focus on a small number of enterprises with high-growth, high-impact potential
 - Build on existing networks and business plan competitions that can help with due diligence, monitoring business progress, and assessing the impact of the investment
-

To make sure that your investment will have a lasting social impact:

- Consider focusing on enterprises that bring about systemic change and can be scaled up to provide substantial economic and social value
 - Consider the potential of enterprise development for women and youth and support initiatives that involve building business capacity among women and youth
-



Case study 3

Jack Ma, China

Supporting small and medium-sized enterprises⁴⁵

“This might be the beginning of an Internet-driven revolution where small businesses around the world will be able to compete with larger companies for customers like never before.”

Jack Ma is the founder of China's top business-to-business e-commerce platform, Alibaba.com. He also created Taobao, the online retail website which put eBay out of business in China.

The realization that the long-term profitability for the company must be based on serving its customers well and by looking after its employees, has helped him unleash the potential of entrepreneurs and create thousands of jobs in his home country. Seeing that the volatile macro-economic environment

was creating significant challenges for export-focused small businesses in China, Alibaba.com cut subscriber fees of its China Gold Supplier product by 60% in 2008 to sign up more SMEs, despite concerns about falling profit margins. Alibaba.com also provides business management software, Internet infrastructure services, and educational services to incubate enterprise management and e-commerce professionals among businesses in China.

With his website, which mostly matches small suppliers with buyers around the world, he seeks to support SMEs largely ignored by financial and credit institutions. Currently they receive less than 5% of bank lending although they create over three-quarters of the country's jobs and contribute to over half of the global domestic product.

To help realize his vision, Ma launched Ali-Loan in 2007, a small business loan-assistance program, in collaboration with leading banks in China. In 2010, Alibaba.com announced the creation of China's first Small Business Credit Rating System and established a 147 million dollars Business Integrity Insurance Fund.

In September 2009, Alibaba Group announced its partnership with Grameen Trust of Bangladesh to form a micro-lending institution called Grameen China, focusing initially on making loans of approximately 400 dollars per person to more than 8'000 people in Sichuan and Inner Mongolia. Using the Grameen Bank microfinance model, Grameen China is being built and managed by Grameen Trust with initial funding of 5 million dollars from Alibaba Group. Alibaba Group is advising on technology-based support to help potential recipients access the program and eventually build their businesses online.

⁴⁵ Alibaba.com, May 17, 2009; Philanthrocapitalism, November 25, 2009; CNReviews, September 25, 2009.

Philanthropy and entrepreneurial education

Education plays a vital role in fostering entrepreneurial potential and capacity.

Education in entrepreneurship supports people in becoming leaders, innovators, and creative problem solvers. Traditional social norms in developing countries often encourage employment in the public or traditional private sector, with self-employment as the final option. However, with the high rates of underemployment among young people and women in emerging markets, self-employment is becoming a necessity. This provides a major opportunity for embedding entrepreneurial education in all levels of society and enlightens people about business opportunities to create their own profitable enterprises. Until recently, efforts to develop and promote education in social innovation and entrepreneurial skills have been limited in most emerging economies. Now there is a growing focus of philanthropists and other social purpose organizations on investing in education to develop future business leaders from home-grown talent. This need for local education on business, entrepreneurship, and leadership provides opportunities for strategic philanthropists.

Investing in entrepreneurial education at all levels

Higher education

In many developing countries, the rise of the middle class, is increasing the cost of higher education. People who cannot afford this are therefore unable to access higher education

opportunities. Dr. Taddy Blecher, a South African social entrepreneur, has incorporated the African belief and spirit of ubuntu, meaning none of us exist in isolation, with his business principles to create the Community and Individual Development Association (CIDA) in South Africa.⁴⁶ Blecher turned down a well-paid job in the United States and headed for the townships instead. CIDA is the first virtually free university in South Africa. Gradual success attracted blue-chip sponsorship, donations of books from libraries, donations from companies for computers, and CIDA is now proudly supported by prominent philanthropists such as Oprah Winfrey.⁴⁷ Dr. Taddy Blecher was named Global Leader of Tomorrow Award from the World Economic Forum in 2002, and was the recipient of the Skoll Award for Social Entrepreneurship in 2006.

In exchange for tuition, students are expected to help run the campus and spread their knowledge to young people in their communities while they are at home or on vacation. CIDA graduates who earn good salaries contribute to sponsoring a future student's education. CIDA offers entrepreneurial education and provides young students from disadvantaged communities with business acumen to improve their lives, while simultaneously creating leaders for their own communities. CIDA is an accredited university, with graduates earning a Bachelor of Business Administration degree, allowing them to be competitive in the marketplace.

More recently, Richard Branson, a British industrialist and founder of the Virgin brand, has established a School of Entrepreneurship at CIDA. The school will provide mentorship through early stages of business development, access to a fund with seed capital needed to start small businesses, and training to allow them to teach in their communities. Essentially, the school is there to provide support and nurture confidence in young people who come from a disadvantaged background. This realistically includes training students to expect failure and building

⁴⁶ Skoll Foundation: www.skollfoundation.org

⁴⁷ Coughlan, Sean (2005) "University for South Africa's poor" in: BBC News.

resilience to manage this and learn from it. Such business skills are transferable and useful whether a student chooses self-employment or to be an employee of a company. In addition to donations and investments for sponsoring students, the school includes internships for students at Virgin companies, as well as training, guest lectures, and mentoring from Virgin staff. Investments are coupled with the engagement of expertise and entrepreneurial experience to ensure a qualitative impact. It is designed to be a specialist school, building upon a previous introduction to entrepreneurship, and requiring all students to start a small business.

Strategic philanthropists are increasingly investing into higher education institutions in emerging markets, where the potential for impact is large. Both CIDA and the School of Entrepreneurship are interesting models worth leveraging to other parts of the world.

Vocational training

Putera Sampoerna⁴⁸ argues that while instilling an entrepreneurial potential in college students is necessary, emerging economies need training programs that reach potential entrepreneurs who come from less educated and rural backgrounds. Such education is needed to foster creative micro and small enterprises in their rural communities.⁴⁹

Basic skills sets are needed to be able to start a meaningful micro-enterprise, like electronic manufacturing, carpentry, and animal-rearing. Often these skills were taught within the communities, from father to son, for example. As young people migrate to cities in search of jobs, or illnesses and conflicts disturb traditional communities, a gap exists in building sufficient skills and experience. These basic skills sets are important to create a livelihood. Those young people who are likely to become entrepreneurs out of basic necessity should undergo entrepreneurship education in their formative years, making them more likely to embark on a growth oriented business that employs more people. This has the potential to transform not only their lives but also many others in the community through direct employment and indirect economic impact.

To provide people with entrepreneurial livelihoods in their agricultural communities, vocational training must focus

⁴⁸ Please refer to the case study on page 42.

⁴⁹ Sampoerna Foundation: www.sampoernafoundation.org

more on enhancing agricultural productivity and profitability. Funding training that provides support for farmers to transition towards more sustainable or other agricultural developments that are more profitable or ensure a higher yield are valuable. The Songhai Centre in Benin is training African youth to become social entrepreneurs and change agents in African agriculture. The young entrepreneurs promote sustainable agriculture and they earn an income by selling their organic products in the local and international markets.⁵⁰

Funding grass roots level educational initiatives, which support vocational development and short courses, is an important way for philanthropists to become involved and reach disadvantaged communities in rural areas. According to the Oxfam Education Report, "a lower cost private sector has emerged to meet the demands of economically disadvantaged households."⁵¹ In many emerging markets, private schools are unregistered and therefore unrecognized as beneficiaries of capital. Venture philanthropists can mobilize their extensive networks and capital to develop branding and franchising for these unregistered private schools to create an affiliation system, enabling disadvantaged families to select suitable schools for their children's enrollment.⁵²

The Network for Teaching Entrepreneurship

The Network for Teaching Entrepreneurship (NFTE) is a social enterprise that helps young people from low income communities in the US and Latin America build skills and unlock their entrepreneurial creativity at an early age. NFTE has more than 1,500 active teachers, and is continually improving its innovative entrepreneurship curriculum. The founder, Steve Mariotti, was an entrepreneur who later taught at a public high school in New York City; he then combined his two experiences to develop entrepreneurship education initiatives. Low income young people are exposed to harsher realities of life, and their "street smart" when combined with learning entrepreneurship, can easily develop into "business smarts."

Reference: www.nfte.com

⁵⁰ www.songhai.org

⁵¹ Tooley, J. and Dixon, D. (2005): The Oxfam Education Report.

⁵² Shah, Parth J. and Veetil, Vipin P. (2006): Entrepreneurial Approaches to Education for the Poor.

... Internet empowerment and information technology for people in low income communities is an important investment theme.

Internet literacy and access to knowledge

Philanthropists are increasingly recognizing Internet empowerment and information technology for people in low income communities as an important investment theme.

Extending access to digital technology and improving Internet literacy enables people to link to the global market place of information, knowledge, tools, and resources.

The “Hole in the Wall Project” developed by Professor Sugata Mitra, a well-known Indian scientist, shows that children can teach themselves how to access information on the Internet, just by giving them access to computers.⁵³

Increasing Internet literacy can help to unlock creative and entrepreneurial potential in emerging markets.

There is another opportunity. Via the Internet, networks can

be established that connect entrepreneurs and serve as a valuable educational resource, exchanging expertise, market information, business networks, and mentor relationships. Examples are Imagine Nations Network, BiD Network, Kiva, and MyC4. There is a great opportunity for philanthropists to contribute to establishing and advancing such local networks; sharing expertise can facilitate entrepreneurship in its most raw form. Innovation in information technology also focuses on providing people with access to information via mobile phones, rather than the Internet. Large companies such as Vodafone, Huawei, Zain, and Microsoft are involved in exciting innovations that seek to cross the digital divide.

⁵³ Strong, Michael. (2007). Empowering Women Entrepreneurs: Alleviating Poverty & Promoting Peace through Enterprise Development.

Centre for Digital Inclusion (CDI)

Rodrigo Baggio is a social entrepreneur who founded Centre for Digital Inclusion (CDI), the first organization to address the digital divide in Latin America, starting from the favelas (slums) of Brazil. CDI creates community centers with access to the Internet and other computer programs, and community members to train youth how to use them effectively. The idea is to mobilize technology to improve their lives and their communities, encouraging entrepreneurship at a young age in young people who are marginalized and excluded from participation in formal sectors of society. Their creativity and entrepreneurial spirit is harnessed to create change in their communities. CDI cites an example from a favela in Sao Paolo, where a group of young people used video cameras to interview the community about pressing problems in the slum, used the Internet to research effective solutions, and created a video to educate the community on separating rubbish to prevent rat infestation.

Reference: Skoll Foundation Website, Uncommon Heroes

Key points

Invest in integrated entrepreneurial university curriculum development in emerging economies.

- Fund and support education models that extend vocational training and entrepreneurial expertise to grass roots level
- Invest in creating access to information technology at remote areas
- Provide funding and expertise and mobilize business network to establish entrepreneurial collective networks to facilitate the exchange of expertise, market information, and business networks



Case study 4

Putera Sampoerna, Indonesia

Improving entrepreneurial education⁵

The vision of the Foundation is to create high caliber future leaders and entrepreneurs for Indonesia...

Putera Sampoerna, described in the media as one of Indonesia's most famous entrepreneurs, was the owner and CEO of the cigarette company PT Hanjaya Mandala Sampoerna before it was sold to Philip Morris in 2005.

He "changed the course of the family-owned business from a niche market cigarette producer into a major publicly listed company with a very extensive and comprehensive geographical reach throughout the archipelago second to none." He has strong faith in the leadership potential of younger generations, which is reflected in his private endeavors as well as his philanthropic activities.

In 2001 the billionaire established the Putera Sampoerna Foundation to improve public education and pledged 150 million dollars of his family's fortune to support it. The vision of the Foundation is to create high caliber future leaders and entrepreneurs for Indonesia to meet the challenges of global economic participation. Through its meritocratic grant

strategy "Pathway to Leadership," the initial objective of the Foundation is to be able to graduate 1'000 community leaders per year into all walks of life, including private enterprises and public service.

Despite unprecedented recent economic growth in Indonesia, the country still faces high levels of youth unemployment, underemployment, and a shortage of opportunities for young people, especially young women. Putera Sampoerna believes that education and job creation are the cornerstones to the creation of a dynamic, peaceful, and prosperous society. For this reason, the Foundation has immersed entrepreneurial know-how in its education system and is currently in the process of setting up a National Communications Portal for entrepreneurs and a National Center for Entrepreneurial Development in Indonesia. The Indonesian platform aims to provide linkages to the country's young entrepreneurs to access other like-minded entrepreneurs, mentors, donor programs, and small business investment companies.

Mr. Sampoerna presented these initiatives at America's Presidential Summit on Entrepreneurship, hosted by president Obama to highlight and support innovation and entrepreneurship in Muslim-majority countries around the world. Recently, the Foundation has taken the initiative to establish the "Friends of Women Cooperative" (Koperasi Sahabat Wanita), which not only provides training and capacity building for women in rural areas, but also provides micro-financing loans and establishes commercially viable ventures.

A personal view on the challenges ahead by Michelle Sampoerna, daughter of Putera Sampoerna and leader of the Sampoerna Foundation

"There is a link between entrepreneurship and economic development. Entrepreneurship drives economic development and job creation. Entrepreneurship is an important means and a valuable additional strategy to create jobs and improve livelihoods and independence of young people.

Our entrepreneurship initiatives are still at the infancy stage and our efforts at this point in time are on developing the framework and infrastructure. But we foresee that our greatest challenge will be on changing the mindset from traditional 'job for life' careers towards 'portfolio' careers and capacity building.

We believe however, that entrepreneurship education and training will be key in improving young people's employability. It will provide the skills and attitudes which are necessary to cope with this shift.

We need to work closely with other corporations, institutions, and bodies in this field, to lobby the government to introduce policies and put procedures in place that support the needs and objectives of entrepreneurship.

Our founder is a visionary who believes that in order to be impactful we need to be different and make a difference. Different in a positive way. The question we ask ourselves continuously is: How different are we? The implications to this is that in whatever we do we must think big — in an effective and efficient manner."

Michelle Sampoerna's tips on key strategies for philanthropists to support small business development in emerging markets

"For the development and growth of small businesses in Indonesia, we are taking a holistic approach focusing on education — at all levels, starting from secondary to tertiary education and special training programs for rural women and general entrepreneurs — and providing business assistance and support needed such as financing, developing business plans, marketplace, and linkages. We feel that this is a key strategy for philanthropists to support entrepreneurial development in Indonesia."

"There is a link between entrepreneurship and economic development. Entrepreneurship drives economic development and job creation."

⁵ References: World Investment News, September 29, 2009; Forbes Magazine, March 16, 2009; Putera Sampoerna Foundation

Having an impact and being accountable

Why should philanthropists measure their impact?

Strategic philanthropy has clear performance expectations and aims to find the best opportunities for achieving social, environmental, and/or financial returns.

This involves a strong focus on impact and should therefore include a focus on measuring performance. Measuring impact helps to:

- **Focus on results:** Measuring impact enables both the investor and the entrepreneur to keep their attention focused on what is relevant and what they want to achieve
- **Measure or estimate value:** Strategic philanthropists are looking to understand the social return on investment (SROI). This can be used to help make decisions through cost-benefit assessments and understanding ultimate impact
- **Ensure relevance and allocation of resources:** Measuring impact enables investors to see if resources are being used efficiently and effectively. Investors can then evaluate if their investment was relevant in the chosen context
- **Be accountable:** All enterprises have stakeholders that affect or are affected by the enterprise (for example suppliers, customers, employees, and local governments). Measuring impact helps investors and entrepreneurs ensure that they are on track with what they hope to achieve. It helps to support face-based communication to build accountability with their stakeholders. Investment and wealth advisors need tools with which to construct portfolios that balance risk and financial, social, and environmental returns. Measuring impact helps to gain insight in those returns

Focus on impact measurement is about knowing which value is being created for the money that is spent. Measuring impact is not necessarily easy. Many of the existing measurement tools fail to give proper insight into the associated impact. As a result, many promising emerging market ventures with the potential for significant development impact are evaluated on “emotional” terms or on pure financial terms. Neither of the two will give a genuine, rational view of the full potential.

With a growing interest in strategic philanthropy, impact, and the value created by philanthropists, there are a number of resources available to help you measure and understand the impact that your investments are generating. The recent launch of the Impact Reporting and Investment Standards (IRIS) initiative to develop a standardized approach to the measurement and reporting of social and/or environmental impacts will help to gain better understanding in the financial, social and environmental returns of strategic philanthropy.⁵⁴

How can impact be measured?

As philanthropy has a strategic approach, impact needs to relate back to the objectives of the philanthropists and the investees and they should hold themselves accountable if the objectives are not met. For philanthropists, measurement approaches can be divided into different purposes to fit their need:

- **Screening:** Making an investment decision “up front”. This approach helps to estimate and understand the potential and feasibility for a particular investment
- **On-going performance tracking:** Helping philanthropists and investees understand progress and giving them the ability to continuously adapt and improve to ensure meeting the objectives
- **Periodic in-depth assessments:** Providing a qualitative snapshot of benefits and their relevance at a given point in time

A strategic philanthropy approach enables wealthy individuals to focus on immediate results and on results over time. Whereas many businesses are driven to look at financial returns on a monthly or quarterly basis, social returns can take years (or decades) to see or to realize. Venture philanthropists looking at measuring impacts will need to consider the timeframe for which they are seeking returns carefully.

Definitions

For all strategic philanthropists it is important to consider whether the measurement method is actually focused on impact, or if it is simply counting outputs, activities, and contributions.⁵⁵ The impact value chain (figure 2, next page) tells the story of how ultimate value is created. Whatever approach and methodology used to measure results, it should follow the impact value chain to help describe the story of change and of value creation.

Inputs: The resources that have been invested to realize the objective, which includes the resources the philanthropist provides. This is about being clear about how much time or money has been invested.

Activities: The organization’s activities that are executed to realize the objective.

Outputs: Information such as the number of people who benefited, the number of training workshops held, and the number of activities which have taken place are known as outputs. Measurement systems which focus on this type of measurement can be useful in helping people to understand what has happened but do not describe the long term changes which have taken place. Indicators, which describe these changes, can sometimes be used as a proxy for measuring actual impact.

Outcomes: The ultimate changes found in the community, including intended and unintended effects of the enterprise and effects from other unrelated activities in the community.

Impact: This refers to economic, social, or environmental changes in the community which can be specifically attributed to the company’s or investee’s activity. Impact refers to Outcomes minus “What would have happened anyway without interference of the organization.” Impact can be positive and negative.

⁵⁴ Bugg-Levin, A. (2009): Impact Investing: harnessing capital to drive development at scale.

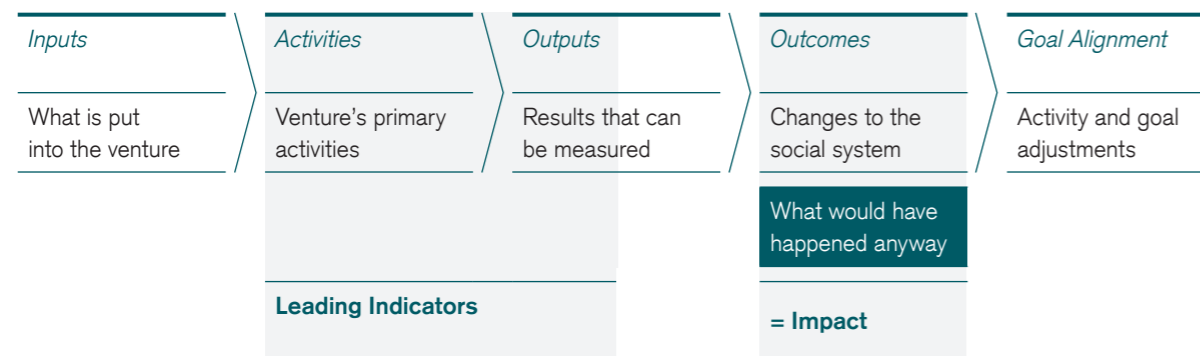
⁵⁵ Olsen, S. and Galimidi, B. (2008): Catalogue of approaches to impact measurement. Social Venture Technology Group with the support of The Rockefeller Foundation.

For wealthy individuals investing in enterprises, it is important to remember that these enterprises can have both an internal and an external impact.

Internal impact: This relates to the effects the business has on the employees, health and financial security along with the effects the company has on the environment and issues to access, fairness, and trust in company policy.

External impact: This is how the business will affect customers and the communities in which it operates. It implies impact outside the company walls.

Figure 2. Impact Value Chain⁶



Setting indicators

Identifying and describing the impact value chain can be done through the use of pre-determined indicators, which stakeholders wish to measure against. Measurement takes place via quantitative methods or through reflective evaluation and asking beneficiaries to think back to changes that have taken place. Ideally, measurement should have a baseline with which to understand and interpret changes that have taken place.

Indicators are an important part of impact measurement. They describe which potential changes should be measured. Good indicators are:

- Simple
- Manageable
- Based on information that is accessible
- Cost effective in the sense that data gathering is not too resource intense
- Developed with the entrepreneur and other stakeholders of the enterprise

It is important to remember that indicators only indicate and may sometimes not tell the whole story. Taking into consideration different sources of information, and different indicators can help paint a picture of a particular intervention. Setting indicators for impact is not always easy. Investors may be happy to choose what is commonly referred to as proxy or leading indicators to help understand changes taking place. Leading indicators usually provide more information about the organization's activities and outputs (see figure 2), implying a relationship to the actual impact, resulting from these activities and output. When a fund wants to support poverty alleviation through entrepreneurial activities, good indicators might be number of businesses started, number of jobs created, or numbers of businesses still running after x amount of time.

While designing a measurement model, it is important to keep three things in mind:⁵⁶

- **Keep it simple, but meaningful** – Developing and maintaining impact measurement tools should not be a hazardous distraction.
- **Know the audience** – The audience is usually the enterprise's stakeholders, who need a quick but thorough insight in to the performance of the organization and the impact it is generating. But sometimes it is more complex and the models serve different audiences:
 1. Funders
 2. Internal audience to manage operations and performance
 3. Stakeholders to evaluate the social impact. The three audiences should not be combined in one tool. Different tools will serve different purposes
- **Capture system change** – Ideally, measurement tools must be able to capture changes that were influenced by the enterprise. In reality this is hard to achieve as it is a matter of understanding what would have happened had the investors' initiative not taken place. Measurement of this aspect needs to consider the use of control groups, which can be difficult to establish; however, to measure this indirectly could be used.

Useful tools

Although the suitability of a certain tool will depend to a great extent on the local circumstances of the enterprise and the preferences of the funder, there are numerous tools to support you in measuring impact. Here are some examples.

In 2008, The Rockefeller Foundation supported the cataloguing of existing approaches to impact measurement.⁵⁷ The catalogue contains 25 approaches in use globally which can be applied to privately held companies and/or non-profit organizations that run revenue-generating businesses.

Best Available Charitable Option (BACO)

This method, designed and developed by Acumen Fund, and is used to determine whether SMEs are effective in providing social services in relation to existing charitable

alternatives in terms of delivering the products or services more cost effectively. It helps investors understand where their philanthropic capital will be most effective. When possible, existing local businesses and charities are used to make the comparison. When viable local comparison does not exist, realistic hypothetical options must be developed based on data from other geographical regions to provide for the comparison.⁵⁸ This method does not provide a measurement for impact as it was developed to evaluate potential investments upfront. It also cannot compare one opportunity to another unless the unit of social output is exactly the same. However, it can provide a good reality check for project results and determine whether it is better to invest debt or equity into an enterprise as opposed to grants and donations in a charitable option.⁵⁹

Social return on investment (SROI)

SROI is designed to identify the social, environmental, or cultural values (or social impacts) that have been created for all the different stakeholders. SROI is an assessment and management system developed from traditional cost-benefit analysis, in which the social and environmental impacts of an investment are given financial values. By doing this, for example giving a financial value to increased health, investors gain a sense of the social returns on their investment, relative to the resources required.

SROI potentially represents a method that requires less data. However there is no generally accepted standard for assigning monetary values to social impacts. For now, SROI can therefore only be used to compare organizations; it must be ensured that the method used to generate the analysis is internally consistent.

Different organizations have adopted or refined the SROI approach. The New Economics Foundation (NEF) has worked to develop a framework integrating cost-benefit analysis and social auditing to capture social value. SROI compares the value that is generated by a particular venture with the investment that was required to achieve that impact. The NEF guide takes into consideration standards agreed by the SROI Network for measuring SROI.

Balanced Scorecard approaches

The Balanced Scorecard developed by Harvard Professor Robert Kaplan is a popular model among businesses worldwide to measure performance in terms of financial,

⁶ Social Venture Technology Group (2008) based on the "Impact Value Chain" in "The Double Bottom Line Methods Catalog", Clark, Rosenzweig, Long, and Olsen and The Rockefeller Foundation, 2003.

⁵⁶ Olsen, S. and Galimidi, B. (2008): Catalogue of approaches to impact measurement. Social Venture Technology Group with the support of The Rockefeller Foundation.

⁵⁷ Ibid.

⁵⁸ NCDO (2008): Venture Capital and Private Equity Funds for Development.

⁵⁹ Acumen Fund website: www.acumenfund.org

customer, business process, and learning and growth outcomes which go beyond traditional “financial” metrics.⁶⁰ In cooperation with the venture philanthropy firm New Profit Inc. the approach was adapted in 2000 to include a new perspective, “social impact”. New Profit uses the Balance Scorecard to measure the progress of the portfolio organizations in terms of social impact, stakeholders, internal processes, learning and growth, and financial performance. Other institutions have taken up this initiative and the approach was named Social Enterprise Balanced Scorecard (SEBS) by Social Enterprise London.⁶¹

Learning from multinationals

In recent years there has been a growing interest in measuring the development impact of businesses. Multinational companies such as Unilever, SAB Miller, and Vodafone have carried out assessments of the social economic impacts of their subsidiaries in developing countries. These impact assessments give insights in to the influences that companies have in these communities; however, they do not always take into account the effects that would have happened anyway and do not establish causal relationships for all the impacts shown. Nevertheless these approaches can provide lessons for wealthy individuals investing in businesses in a developing country context and wanting to understand the impact.

In 2008, the World Business Council for Sustainable Development together with the IFC, released a framework to help companies look at their business activities and measure the development impact. The tool is built around input from a number of multinational companies. It attempts to balance both the business and the societal perspective of what is important where the business operates.

The four-step process involves setting boundaries, measuring both the direct and the indirect impacts, assessing the contribution of business to development, and prioritizing the management response. The framework includes four business clusters for users to group business activities around. These are governance and sustainability, assets, people and financial flows. The framework is built for larger companies but can provide useful insights for smaller enterprises.⁶²

⁶⁰ Balanced Scorecard website: www.balancedscorecard.org

⁶¹ Social Enterprise website: www.sel.org.uk/balanced-scorecard.aspx

⁶² World Business Council for Sustainable Development: www.wbcds.org

Key points

Measure your impact to focus on results, ensure relevance and effective allocation of resources, and to be accountable.

Impact measurement tools help you to identify and describe the impact value chain and ultimately describe the positive and negative changes in the community and the environment.

Measurement tools fit different purposes: screening, on-going performance tracking, and periodic in-depth assessments.

Impact measurement indicators should be simple, manageable, based on accessible information, cost-effective, and developed with the entrepreneur and other stakeholders.

While choosing or designing a measurement tool, keep in mind that it should be simple but meaningful. It should fit the audience and it should capture system change.

Although the suitability of a certain tool will depend to a great extent on the local circumstances of the enterprise and the preferences of the funder, there are numerous tools to support you to measure impact.





Case study 5

José Ignacio Avalos Hernández, Mexico

Social enterprises to create meaningful impact⁶⁴

At age 22, José Ignacio Avalos was inspired to start a youth movement as a result of Mother Teresa's visit to Mexico in 1982. Since then, Avalos has either founded or inspired the set-up of more than 30 organizations, including Banco Compartamos, the largest microfinance institution in Latin America. He is regularly drawn into government meetings and consultations on issues ranging from economic development, civil society, and nutrition to organizational transparency. Avalos comes from an entrepreneurial family. He inherited a company that produces beauty products for the Mexican market, which he also runs, effectively managing two full-time jobs. Among his initiatives are:

Un Kilo de Ayuda was founded to fight malnutrition in children under five. This is not just another food program. Supplies are carefully balanced in packages to 50,000 children in rural Mexico every two weeks. Each child's weight and height status is recorded and analyzed using the longitudinal surveillance system "InfoKilo" developed in-house with a Microsoft partnership. It measures and corrects anemia, cognitive skills, gross and fine psychomotor movement, and language skills of the children to measure and improve appropriate neurodevelopment with early stimulation techniques for the mothers, as education and training is the most important component of the program. By promoting the brand and drawing on the promotion and distribution of the companies that support it, the Kilo de Ayuda name is now known throughout Mexico and consumers know that they are helping children and families in need through their purchases.

Mi Tienda aims to help owners of rural general stores to maintain up-to-date, low-priced inventories of products their customers need. Keeping prices low is often impossible for these small owners since, unlike supermarkets, they cannot afford to purchase in bulk. Mi Tienda's solution is to organize a network of regional buyers who visit the small owners to take orders and then buy on their behalf. New products are delivered the next day. This cooperative approach enables the participating merchants to offer a fresher and more varied inventory at lower prices.

In 2005, Mexico's well-known philanthropist and social entrepreneur earned the Schwab Foundation's Social Entrepreneur of the year award, becoming a regular member of the Davos Annual meeting. By combining business and philanthropy he has been able to raise the profile of philanthropy in Mexico and Latin America.

“Mi Tienda aims to help owners of rural general stores to maintain up-to-date, low-priced inventories of products their customers need.”

⁶⁴ References: Global Giving Matters 2003, 2010; Microcapital

Resources

The following are resources, which may provide additional information regarding the topics discussed throughout the White Paper.

Organizations that help you to identify enterprises with growth opportunities

Ashoka — www.ashoka.org

Aspen Network of Development Entrepreneurs (ANDE) — www.aspeninstitute.org/policy-work/aspen-networkdevelopment-entrepreneurs

AVINA — www.avina.net

BiD Network — www.bidnetwork.org

Endeavor — www.endeavor.org

Fundes — www.fundes.org

Imagine Nations Network — www.imagine-network.org

Infodev's Idisc — Network of local business incubators: www.idisc.net

Kiva — www.kiva.org

MyC4 — www.myc4.com

New Ventures — www.newventures.org

Skoll Foundation — www.skollfoundation.org

WISE — www.wise.net

Venture Philanthropy Funds that provide access to affordable capital

Aavishkaar — www.aavishkaar.in

Acumen Fund — www.acumenfund.org

E+Co — www.eandco.net

NESsT Venture Fund — www.nesst.org

Noaber Foundation — www.noaber.com

Omidyar Network — www.omidyar.com

One Acre Fund — www.oneacrefund.org

Rising Farmworker Dream Fund — www.risingfarmworkers.org

Root Capital — www.rootcapital.org

Small Enterprise Assistance Fund (SEAF) — www.seaf.com

Overview of funds providing capital for SMEs in developing markets — www.bidnetwork.org/funds, www.ifc.org/ifcext/cfn.nsf/content/portfolio

Networks for venture philanthropists and business angels

Arab Business Angels Network — angelsoft.net/angelgroup/aban-arab-business-angel-network

Asian Venture Philanthropy Network — www.avpn.asia

Business Angel Network South East Asia — bansea.angelgroups.net

European Venture Philanthropy Association — www.evpa.eu.com

Global Impact Investing Network (GIIN) — not-for-profit organization dedicated to increasing the effectiveness of impact investing — www.globalimpactinvestingnetwork.org

Indian Angel Network — www.indianangelnetwork.com

Social Venture Partners International — www.svpi.org

South African Angel Investment Network — www.investmentnetwork.co.za

Organizations that help to boost business knowledge

Ashoka — www.ashoka.org

BiD Network — www.bidnetwork.org

New Ventures — www.newventures.org

Organizations that focus on engaging young people and women in entrepreneurial opportunities

Ashoka — www.ashoka.org

British Council — www.britishcouncil.org

CAMFED — www.camfed.org

Global Entrepreneurship Week — www.unleashingideas.com

Making Cents International — www.makingcents.com

Youth-inclusive Financial Services Portal — www.yfslink.org

Unicef — www.unicef.org

Women Enterprise Fund Kenya — www.gender.go.ke/index.php/Women-Enterprise-Fund-WEF/intro-womenenterprise-fund-wef.html

Organizations that support entrepreneurial education

Center for Digital Inclusion (CDI) — cdiglobal.org

CIDA — www.cidafoundation.org

Entrepreneurial Education — Kauffman Foundation of Entrepreneurship — www.kauffman.org

Network for Teaching Entrepreneurship — www.nfte.com

Information on how to measure impact

Balanced Scorecard Approaches — www.newprofit.com; www.sel.org.uk/balanced-scorecard.aspx

Impact Reporting and Investment Standards — iris-standards.org

Impact investing — www.rockefellerfoundation.org/whatwe-do/current-work/harnessing-power-impact-investing

New Economics Foundation — www.neweconomics.org

Social Evaluator — www.socialevaluator.eu

Social Return on Investment — www.sroi-uk.org; www.sroi-europe.org; www.thesroinetwork.org, www.neweconomics.org

SEAF — Local Economic Multiplier — www.seaf.com/impact.htm

WBCSD Measuring Impact Framework — www.wbcds.org

Contributors

Our commitment to the communities in which we live and work dates back to 1856, when Credit Suisse was founded in Switzerland.

Credit Suisse

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Further information about Credit Suisse can be found at www.credit-suisse.com

About Credit Suisse Client Foundation

For clients who do not want a foundation of their own — either because they lack the necessary knowledge or because they think it would involve too much time and effort, Credit Suisse offers an alternative in the form of the charitable foundations Accentus, Empiris, Symphasis and SymAsia.

They give donors the opportunity to achieve their own personal charitable objectives and to be involved in the selection of projects that should be supported. The donors are free to determine the charitable objectives, such as social, humanitarian, cultural, medical, scientific, and ecological objectives. The foundations look for suitable projects on which to spend the donated funds and monitor the implementation of the projects to ensure the most effective use. Credit Suisse supports the foundations by paying most of the costs. As a result, the donated funds can mostly be used to benefit the charitable purposes specified by the donors.

About Credit Suisse Philanthropy Service

Our commitment to the communities in which we live and work dates back to 1856, when Credit Suisse was founded in Switzerland. In serving the wealth management needs of individuals and families, we remain true to the values that first defined Credit Suisse over 150 years ago: a commitment to the needs of our clients and the needs of society.

Philanthropy Service, together with various specialists of the firm, acts as a consultancy within Credit Suisse. As your partner, we can:

- Provide you with state-of-the-art knowledge and insights on the various strategies and approaches in philanthropy
- Help you to optimize your financial means to make an impactful and lasting legacy
- Expand your network with other individuals, families and organizations that share your goals
- Educate you about ways to get started with your philanthropic endeavor and how to best manage it

For further information, please visit www.credit-suisse.com/philanthropyservice

About CSR Asia

Business practices in Asia. Operating as a dynamic social enterprise, CSR Asia occupies the unique middle ground between civil society organizations and fully commercial consultancies. This enables us to provide independent and cutting edge services and expert insight into the Corporate Social Responsibility (CSR) issues facing companies and organizations in Asia, through our offices throughout the region.

CSR Asia works with companies to design and evaluate community investment initiatives and helps them to understand their true impact on the community. CSR Asia explores ways to maximize benefits of corporate initiatives with an emphasis on wealth creation through enterprise development.

For further information, please visit www.csr-asia.com

Tables and Figures

Figure 1.	23
-----------	----

Figure 2. Impact Value Chain	46
------------------------------	----

LifeSpring Hospitals	16
----------------------	----

Ashoka	17
--------	----

VisionSpring	19
--------------	----

d.light	25
---------	----

BiD Network Foundation; The Netherlands	30
---	----

Forms of non-financial assistance	30
-----------------------------------	----

Rags2Riches	32
-------------	----

Ashoka's selection criteria	32
-----------------------------	----

WISE, Suiza	33
-------------	----

The Network for Teaching Entrepreneurship	39
---	----

Centre for Digital Inclusion (CDI)	40
------------------------------------	----

Important informations

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