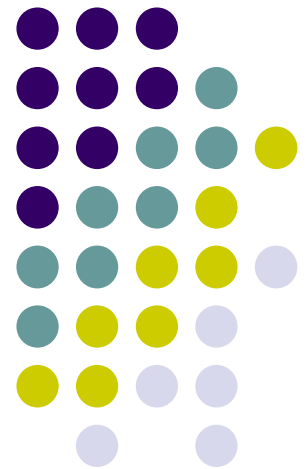
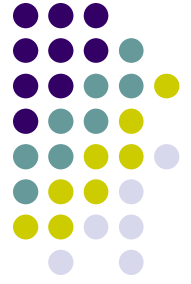


Social Investment

A new funding paradigm and its challenges

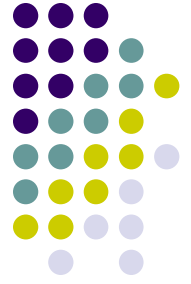
Glen Saunders
March 2009





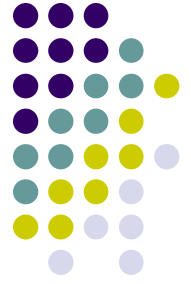
My background

- Working in socially responsible investment for over 20 years
- Community and social finance
- NZ Superannuation Fund
- UN PRI
- Prometheus Finance



Report on social lending

- Commissioned by
 - ASB Community Trust
 - The Tindall Foundation
- Research undertaken last year
- In draft, soon to be released



Brief

- What's are others doing?
 - Internationally
 - In New Zealand
- Should we do it?
- If so, how?

What's happening internationally?



- Social investment has a longish history
 - Late Sixties
- Social banks, CDLFs
- Accompanied the rise in ***social enterprise***
 - Needing capital
 - Conventional funders didn't get it



Slippery terms

- Social investment
 - Loans or equity style investments which usually receive a return, often less than market
 - ***Has to be paid back***
- Social enterprise
 - Delivers a social outcome but organised more like a business than a charity
 - To businesses they look like charities, to charities they look like businesses



Social enterprise

- Don't replace conventional charities but augment them
- Usually income generating
- Sometimes profit seeking, but never profit maximising
- Social outcome is fundamental to their operation, not an add on



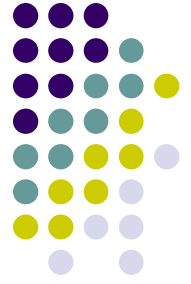
What sort of things?

- Income generating
 - Predictable donation stream
 - Direct service provision
 - Government contracting
- Intermediate fundraising
- Asset acquisition
 - Property purchase



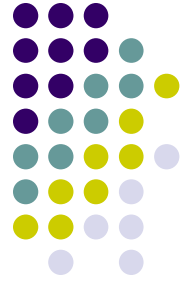
What about foundations?

- There in the beginning
- Eg Ford Foundation, 1969
 - Small businesses and local economic development
- But relatively few
- Increased considerably in the last 10 years
- No clear figures, but about 20% of foundations committing typically 5% of assets
- Especially strong in the US and the UK



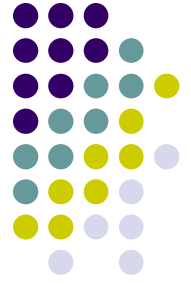
PRI or MCI?

- PRI – programme related investment
 - At least partly out of the programme budget
 - Generally submarket returns
- MCI – mission connected investment
 - Out of the endowment
 - Market return *and* furthers foundation's mission
 - Social housing, microfinance, sustainability businesses
 - Early days



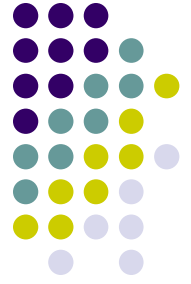
In New Zealand

- Community trusts
 - A few, especially Southland and Canterbury
 - 10 years, stable, successful
 - Minor part of activity
 - Dependent on Chief executives
- Tindall
 - Some loans
- Others
 - General interest expressed
 - But how?



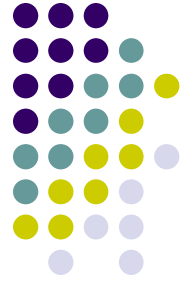
In New Zealand

- Social lenders
 - Prometheus Finance – social/environmental
 - SIFT – recycling
 - BankAble
 - Community Loan Funds
 - MEGF
 - NELT
 - Angel funds



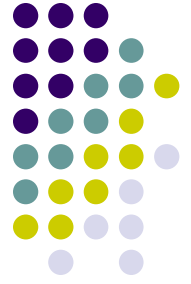
In New Zealand

- Limited as yet, does not mirror overseas
- Social enterprise sector also limited
 - Term tends to be used for grant-based organisations
- Appears to be interest with caution
- Augment, not replace
- But how?



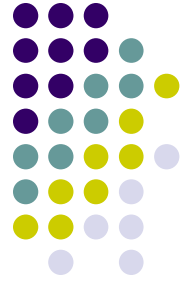
Reasons to do it

- **Extend *financial* impact**
- eg, \$10m endowment, 10% programme return, 20% commitment, 5% PRI return, 5 year loans
- Over 10 years
 - Without lending = \$10m funded
 - With lending = \$13.8m funded
- Reach larger projects
- Same example
 - max 10% grant = \$100k
 - Max 25% loan = \$500k



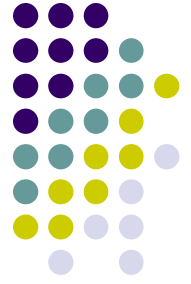
Reasons to do it

- Build better projects
- Systemic interventions
- The right funding approach



Reasons not to do it

- Foreclosure
- Limited demand
- Culture and capacity in borrowers
- Culture and capacity in lenders



How

- In-house
- Partnership with a bank
- Special purpose agency
- Existing social lender