
Social Impact Investment

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FOUNDATION

Who are we?

SF is an independent charity that catalyses scaleable & sustainable enterprise-based solutions to global development challenges.

We work with a **few strategic partners** on tackling issues **aligned** to energy

We deploy **more than money** to pilot, scale-up and replicate solutions

We leverage our **independent but linked** relationship with Shell where appropriate

Governance

Funding

Principles

Mixed Board of Trustees

US\$20m/yr (and US\$400m endowment)

SF Business Principles



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What is Social Impact Investment?

- **Impact Investment** is intended to solve challenges while generating financial returns (*GIIN, 2009*).
 - not new (eg DFIs) but different to SRI (minimise negative impact)
 - +200 impact investing funds (*ANDE 2012*)
 - Mainly debt and equity (but new Social Impact Bond in UK)
 - **\$400bn to \$1 trillion**: projected investment in new asset class over next 10 years (*JPMorgan 2010*)
- **Venture Philanthropy** works to build stronger social purpose organisations/social enterprises through grants, social investment and non-financial support (*EVPA 2011*)

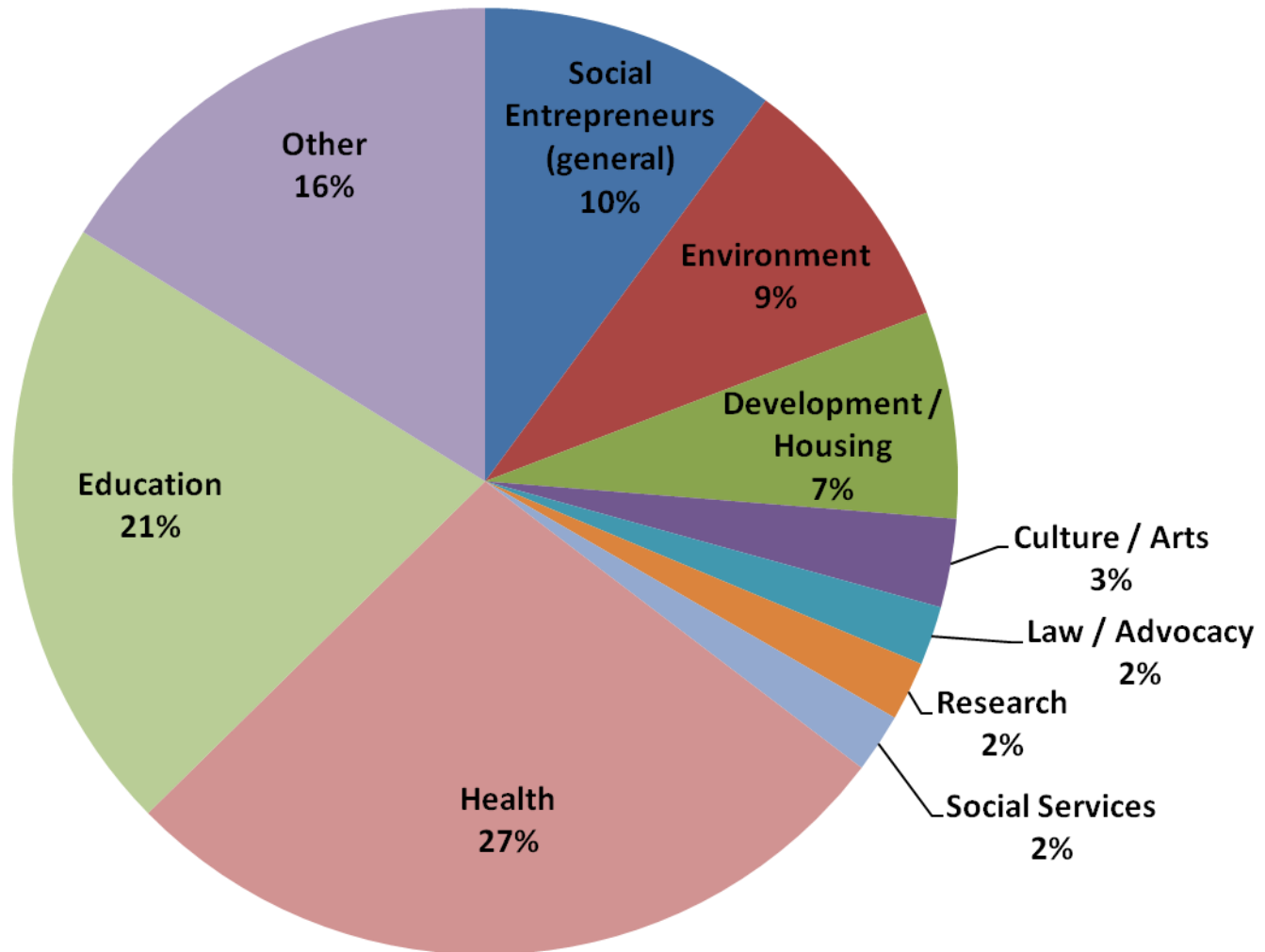


The social impact investment landscape



Source: sheroa and EVPA

Coming to a sector near you...



Challenges to Impact Investing

SF perspective: like any emerging “asset class”, impact investing is struggling with various inefficiencies...

1. **Lack of track record** from successful investments
2. **Lack of deal flow:** shortage of quality investment opps meeting risk/return requirements
3. **Limited early-stage support** to help social enterprises get ready for impact investment (venture philanthropy/grant)
4. **Inadequate impact measurement practice**
5. **Lack of efficient intermediation** – absence of networks and infrastructure to match investors with investees



Measuring and reporting impact

IRIS – common social impact metrics

GIIRS – standardised ratings system

ANDE – self reporting by investors

} All remain
early stage

- Large reported “gross” social impacts
.....but high dependency on subsidy (eg TA funds)
- Variation in how investors report same social metrics
....double-counting, no comparative performance
- Reporting of net IRR for single transactions
.....but no gross/net portfolio financial returns



An evolving asset class that requires:

- More “smart subsidy”/venture philanthropy
- More verifiable performance reporting (social + financial)
- More investors willing to accept lower yielding returns
- Policy reform (eg tax status of funds, social enterprises)
- More independent research and evaluation

BUT A *GROWING*

TREND:

- > A shift in traditional charity and aid
- > Some NGOs now participating (Oxfam, SA)
- > Some Donors actively supporting (DFID, USAID)
- > Greater involvement of private sector....



Towards more “Inclusive business” ...

- From philanthropy/CSR to **creating market opportunity**
- Forming new **strategic partnerships** (e.g. with NGOs)

Catalysts will be needed to:

- Facilitate/broker/manage new partnerships
- Find ways to offset risk (e.g. collaboration with public sector/donors)
- Provide non-financial support/guidance (e.g. advisers)
- Provide independent monitoring and evaluation